A Performance and Operations Assessment
of
The Northwest Territories Outfitted Sport Fishing Industry

Prepared For:

Government of the Northwest Territories
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Foreword

The Northwest Territories outfitted sport fishing industry is an important contributor to the Territory's tourism economy and a valuable testament to the NWT's rich, sporting heritage. Each year, non-resident sport fishers visiting the NWT generate over $7 million dollars in economic activity. (Government of the Northwest Territories, 2004-2005 Fishing Outfitter Survey Results) Despite recent shifts in buyer behaviour patterns, turbulence in the Canadian tourism market, and additional challenges facing the Territory's fishing lodge owners and outfitters, what remains unshakable is the superiority of the outdoor fishing experience offered in the North. Recognized worldwide as a land of unspoiled, uninhabited wilderness, pure air and water, captivating landscapes and fascinating and plentiful wildlife; the Northwest Territories remains a relatively untapped angling paradise, providing world class potential for the industry and it's customers.

This comprehensive assessment is a partnership effort between the Government of the Northwest Territories (GNWT) Department of Industry, Tourism and Investment (ITI), Northwest Territories Tourism and John St. Louis Consulting. The information gathered through the assessment's survey and interview process provide an accurate picture of the performance of the NWT outfitted sport fishing industry between the years 2000 and 2005 and highlights the challenges and issues facing fishing lodge and guiding service operators in the NWT. Its purpose is to evaluate the extent of a decline in business in the outfitted sport fishing sector between 2000 and 2005, analyze trends effecting this industry and present recommendations that will improve the overall health of the industry.

This assessment is indebted to many stakeholders for their contributions of information and time, especially the fishing outfitters of the NWT themselves, who were very generous participants. Also appreciated are the contributions of the many government agencies, (Territorial, Provincial and Federal), industry associations and individuals involved in tourism and sport fishing across Canada and the U.S., who were all helpful and giving of their time. Thank you to all involved.

Sincerely,
John St. Louis

Summary

The NWT outfitted sport fishing industry has experienced a significant downturn in revenue as the primary result of diminishing guest numbers, between and including the 2002 and 2004 operating seasons. Despite a considerable increase in revenue during 2005 for medium and large size outfitters, this apparent shift towards a recovery in industry revenue remains precarious. This is primarily because the underlying elements, which originally contributed to the downturn, have not yet fully dissipated.

The market fundamentals contributing to the industry's difficulties are a general decline in the post 9/11 Canadian tourism industry, post 9/11 changes in domestic and American travel habits, increases in flight and fuel costs (raising the cost for U.S. and southern Canadian clients to travel to the NWT), an unfavourable exchange rate with the U.S., tensions within Canada – U.S. political relations and developing competition for angling tourism dollars from non traditional sources.

Adding to the NWT outfitter's declining revenue woes, are the dramatic increases in some of their expense categories over the six year period between 2000 and 2005. Examples of this are median increases in the cost of fuel of 30%, 30% for insurance and 20% for air charter expense categories amongst all outfitters.

Essentially, outfitter revenue in the NWT has been on the decline while operating costs have been increasing. This straightforward formula equals eroding profits. Similar trends have been evident in the industry elsewhere in Canada. However, there are other Canadian markets that have had a tougher time than the NWT sector, while at the same time, there are those regions that have done spectacularly well in comparison during the same time period; examples of each being Newfoundland and Labrador and the Queen Charlotte Islands, B.C. respectively.

The NWT outfitted sport fishing industry is in need of short term, outside assistance to overcome recent tough times and boost revenues and lower costs in the near future. In addition, fundamental changes and influences in the marketplace are evolving, such as our aging population and the decrease in sport fishing participation in North America and new competition

for angling tourists from non-traditional regions. The industry and NWT Tourism must prepare to face and tackle the more acute, negative effects of these trends as they are only now just beginning to show themselves. With time their influence will grow and pose a larger threat to the industry. Confronting this new market landscape successfully will require new marketing strategies and tactical insight and market education for the industry and its supporters, to guide them towards growth, dollars and fish, into the future.

Survey Background and Method

This 2006 Assessment of the NWT Outfitted Sport Fishing Industry follows on the heels of the 2004-2005 Fishing Outfitters Survey conducted by the Department of Industry, Tourism and Investment. While the 2004-2005 Survey provides a "snapshot of the outfitted fishing sector", the 2006 Assessment is a comprehensive and in-depth evaluation of the recent performance of the industry through a detailed examination of its revenue, expense and buyer behaviour trends which have arisen between the year 2000 season and the year 2005 season. While this assessment has sought to gauge new challenges facing fishing lodges and outfitters in the NWT as a result of recent changes in customer demands, this assessment remains primarily a consideration of the supply side of the outfitted sport fishing market in its current state.

In response to anecdotal evidence from outfitters, which suggested the industry was experiencing a contraction, the Government of the Northwest Territories (GNWT) initiated this assessment which commenced February 13, 2006. The primary purpose of this project has been to endeavour to confirm the direction of the industry's performance and gain an accurate understanding of the trends and issues facing the industry's participants.

The findings and recommendations presented in this report are based on information and data collected from the following 4 (four) sources:

- **The foundation for much of this study was an online survey completed by the Territory's sport fishing outfitters.** A total of 24 out of a total of 38 outfitters completed and submitted their survey, representing a response rate of over 63%. The survey was up to 66 questions in length and focused on querying the respondents on a broad range of topics, which would for the most part, fall under the following categories: Business Operations, Product/Service Offerings and Clientele. Those without Internet access were couriered paper copies of the survey.

Not all of the statistical data and information obtained through the course of the survey was directly relevant to the purpose of this report. Please see the Appendix of this report for these additional survey results.

- **Interviews with the survey respondents.** These interviews were conducted over the telephone and digitally recorded. Transcriptions of these interviews are included in the appendices of this report. These interviews provide the operator's thoughts and opinions on what can be done by government and industry to improve the value of the outfitted sport fishing market in the NWT and additional information regarding the nature of their businesses at present and how they might differ in the future. The interview questions also explore how the outfitters interpret their operation's revenue trends over the previous five seasons.

- **A literature review of relevant sport fishing organizations.** While many studies exist that examine participation rates and the dollar value of the recreational sport fishing market in the U.S. and Canada, very few studies have been undertaken which examine the economic value and trends associated specifically with the Canadian fishing lodge and fishing outfitters industry. Available studies were collected and reviewed during this assessment. The related literature most sought after for this assessment related to the outfitted sport fishing industry only and not the recreational sport fishing market in general.

- **Interviews with representatives at relevant sport fishing organizations.** The information gathered through these interviews represents the bulk of the information available regarding the health of the outfitted sport fishing market in other regions across the country. However, this information is primarily anecdotal.

Introduction

The outfitted sport fishing sector is a significant economic contributor to the Northwest Territory's tourism economy, representing the fourth largest draw of tourists to the Territory each year. (GNWT, Dept. ITI, 2006) Recently, the industry has faced declining revenues during a difficult time for the Canadian tourism industry as a whole. Anecdotal evidence presented to NWT Tourism officials in 2005, suggesting a decline in the industry, prompted the need for this assessment to quantify the overall health of the fishing lodge and guide services businesses in the NWT. The purpose of this assessment report is to determine the extent of the decline in outfitted sport fishing visitation to the NWT over the past five years.

This report summarizes the major findings and implications regarding the economic condition of twenty four NWT guide services and fishing lodges based on their responses to a detailed online survey conducted between March and May, 2006, specifically for this assessment. In addition, research gathered through interviews with NWT sport fishing outfitters, non-NWT sport fishing and tourism related organizations and a review of relevant literature is presented in the context of explaining the developments in the NWT market over the past five years.

The process chosen for this assessment, of evaluating current issues as they relate to NWT sport fishing outfitters, provided the outfitters with a venue for frank and honest sharing of their concerns, aspirations and needs as an industry in flux. This report identifies these issues and opportunities and makes recommendations to enable the GNWT and NWT Tourism to develop cost savings programs and marketing strategies which will assist the industry in the short term. In addition, this report recommends that additional monies be allocated to the NWT Tourism marketing budget, in support of the renewal of the outfitted sport fishing industry, in response to its economic decline.

Outfitted Sport Fishing Industry Assessment Highlights

Industry Profile

The NWT outfitted sport fishing industry consists of both lodge-based outfitters and fishing guide service outfitters. There are currently a combined total of 38 active, sport fishing outfitters operating throughout the NWT. Fishing guide service operators generally provide clients with half-day and full-day fishing charters by boat from communities throughout the Territory. Lodge based outfitters combine full service accommodations with fishing guide services in a variety of all-inclusive package offerings and usually operate from remote, fly-in only locations. However, there are those with drive-in access as well. Guests who are staying at fly-in only lodges generally depart from Yellowknife, although there are fly-in lodges which operate in the NWT whose guests depart for these lodges from more southerly cities such as Winnipeg and Saskatoon. Some outfitters also offer non-guided, "do it yourself" type experiences. On these packaged trips clients are outfitted with fishing equipment and food and are dropped off by float plane on a lake with a cabin for a set number of days, where guests cook and fish on their own and enjoy the privacy and tranquility of their northern, wilderness environment. All outfitters require an outfitter's license to legally sell their services and operate in the NWT. Licenses are obtained from the Government of the Northwest Territories.

The following charts and survey response statistics further illustrate the characteristics of the NWT outfitted sport fishing industry's offerings and operations.

Table 1

How do your guests get to your fishing operation?	Response Percent	Response Total
Drive	12.5%	3
Drive or fly	12.5%	3
Fly Only	75%	18

Table 2

Does your fishing operation have an airstrip, an airstrip and floatplane access or is it floatplane only?	Response Percent	Response Total
Airstrip	0%	0
Airstrip and floatplane	38.1%	8
Floatplane only	61.9%	13

Table 3

Approximately, how long does it take to access your facility from the nearest airport that has jet service?	Response Percent	Response Total
1/2 hour	14.3%	3
1 hour	52.4%	11
1 ½ hours	9.5%	2
2 hours	14.3%	3
2 ½ hours	4.8%	1
3 or more hours	4.8%	1

Table 4

What is your season of operation?	Response Percent	Response Total
Summer (April - September)	41.7%	10
Winter (October - March)	0%	0
Contractually	0%	0
Year-round	4.2%	1
Other	54.2%	13

*N.B. Of the 13 respondents that selected "other" in response to the above survey question, 12 identified their season of operation as falling within the months of June to September, and therefore operate in the summer only, just not beginning in April. One of the 13 lodges

explained that they have two seasons; one being from December to March and the other from May to September.

Table 5

What types of fishing packages does your fishing operation offer? Please select all that apply.	Response Percent	Response Total
Guided day trips from an NWT town or city	20.8%	5
Overnight American plan with guided fishing	54.2%	13
Overnight housekeeping plan with guided fishing	12.5%	3
"Do it yourself" accommodations (ie wilderness cabin rental) and fishing (non guided)	45.8%	11
Overnight American plan without guided fishing	33.3%	8
Other, please specify	20.8%	5

Table 6

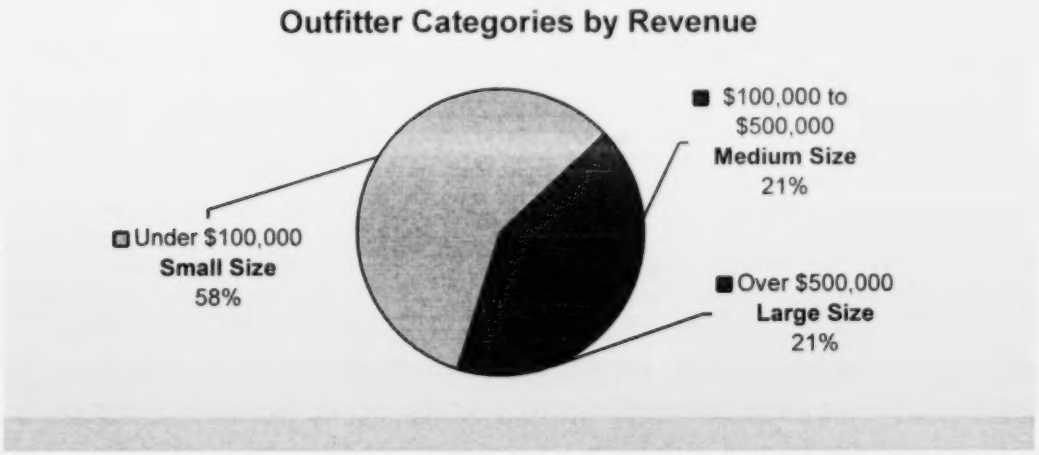
What activities, other than fishing, do you promote as being available to your guests? Please check all that apply.	Response Percent	Response Total
Canoeing	50%	12
Helicopter sight seeing	4.2%	1
Float plane sight seeing	33.3%	8
Wildlife viewing/photography	91.7%	22
Interpretive tours	4.2%	1
Dogsled tours	8.3%	2
Snowmobile tours	16.7%	4
Skiing tours	4.2%	1
Prospecting/gold panning	4.2%	1
Hiking	41.7%	10
Rafting	4.2%	1
Outpost Camps	37.5%	9
Other(s), please specify	25%	6

Categorical Breakdown of Outfitters by Annual Revenue

Survey Question:

"What is the size of your operation in terms of annual revenue?"

Table 7



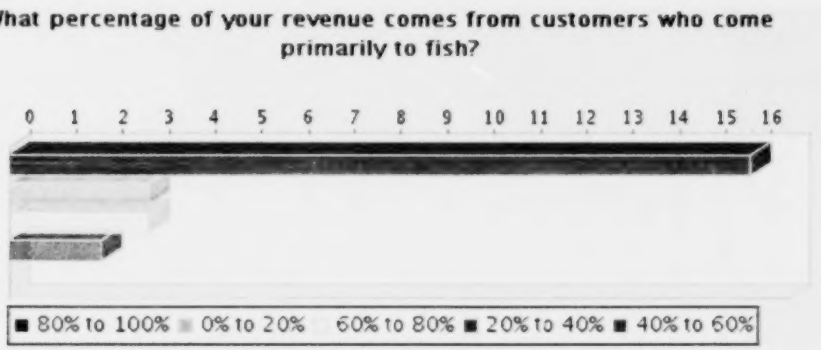
The above chart illustrates the three primary groupings within which the 24 survey respondents have been categorized. Throughout this report, this breakdown into small, medium and large size outfitter categories, based on revenue, will remain constant. It is important to note that the issues and trends effecting outfitters do differ, depending on the size of each business in terms of its revenue. The categorical comparisons that follow in this report will highlight many of these differences. Of the 24 respondents to the survey, 14 qualify as small size outfitters, 5 are medium size outfitters and 5 are large size outfitters.

Small size outfitters tend to be owner-operated, where the owner is the primary and often the only employee of the business. Many small size outfitters operate their companies as "lifestyle" businesses and their primary motivation is to combine generating an income with doing something they really enjoy and are proficient at, ie. fishing, boating and being outdoors. Medium and large size outfitters have considerably larger financial investments at stake in their businesses and are more inclined to focus on profitability, in addition to maximizing return on investment.

Percentage of Revenue Tied to Fishing Clientele

All Outfitters

Table 8


What percentage of your revenue comes from customers who come primarily to fish?
0 1 2 3 4 5 6 7 8 9 10 11 12 13 14 15 16
80% to 100%
0% to 20%
60% to 80%
20% to 40%
40% to 60%

The principle source of revenue for the majority of the outfitter respondents is clients who are interested specifically in fishing as their primary activity. Regardless of the outfitter category, the majority of each category's client base is composed of anglers. However, although the focus of each outfitter's product and service offerings is sport fishing, there appears to be a relationship between the revenue size of an outfitter and the propensity for the outfitter's client base to consist of customers whose recreational interests include activities other than fishing. For example, as evidenced in the graphs below, a larger proportion of small size outfitter's clients engage in other activities compared to large size outfitter's clients.

The following suggestions undertake to explain the positive relationship between revenue size of the operator and the propensity for their clientele to focus exclusively on fishing:

- Smaller sized outfitters may feel a need to cater to a broader range of customer demands in order to compete with larger operators.

- Smaller sized outfitters may enjoy the "lifestyle" associated with owning and operating their businesses and be more willing to cater to the varied, non-fishing related interests of customers.

- As a smaller operation, often staffed only by the owner himself, there exists a greater flexibility and adaptability in the operator's product offering, enabling the smaller sized outfitter to customize a trip on short notice that includes activities other than fishing.

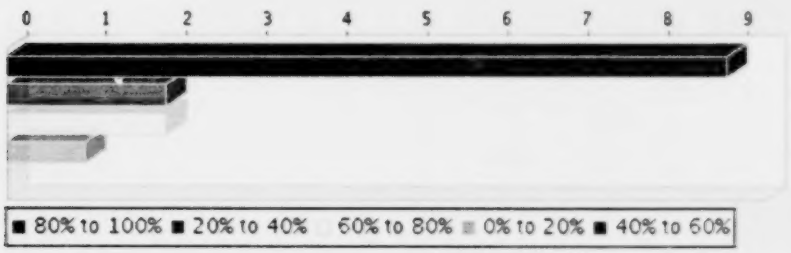
- A lack of business experience may lead a smaller sized operator to attempt to be "all things to all people" in their offerings and present a subsequent lack of focus in their marketing materials.

- Large sized operators realize that catering to varied interests can be difficult, expensive and inefficient and have purposely streamlined their marketing communications to target those interested in fishing only.

Small Size Outfitters

Table 9

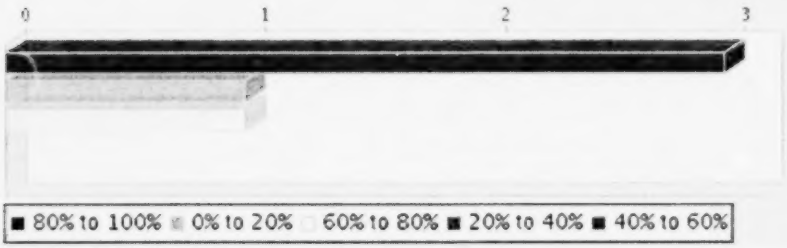
What percentage of your revenue comes from customers who come primarily to fish?



Medium Size Outfitters

Table 10

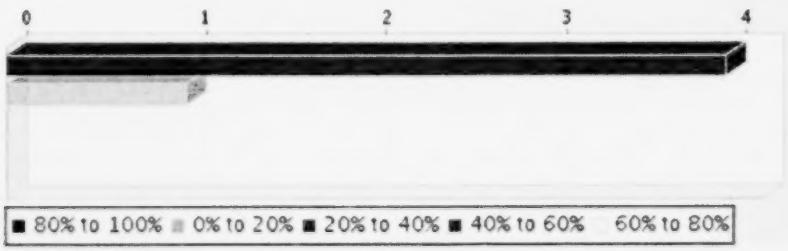
What percentage of your revenue comes from customers who come primarily to fish?



Large Size Outfitters

Table 11

What percentage of your revenue comes from customers who come primarily to fish?



Operations and Performance - Review and Analysis

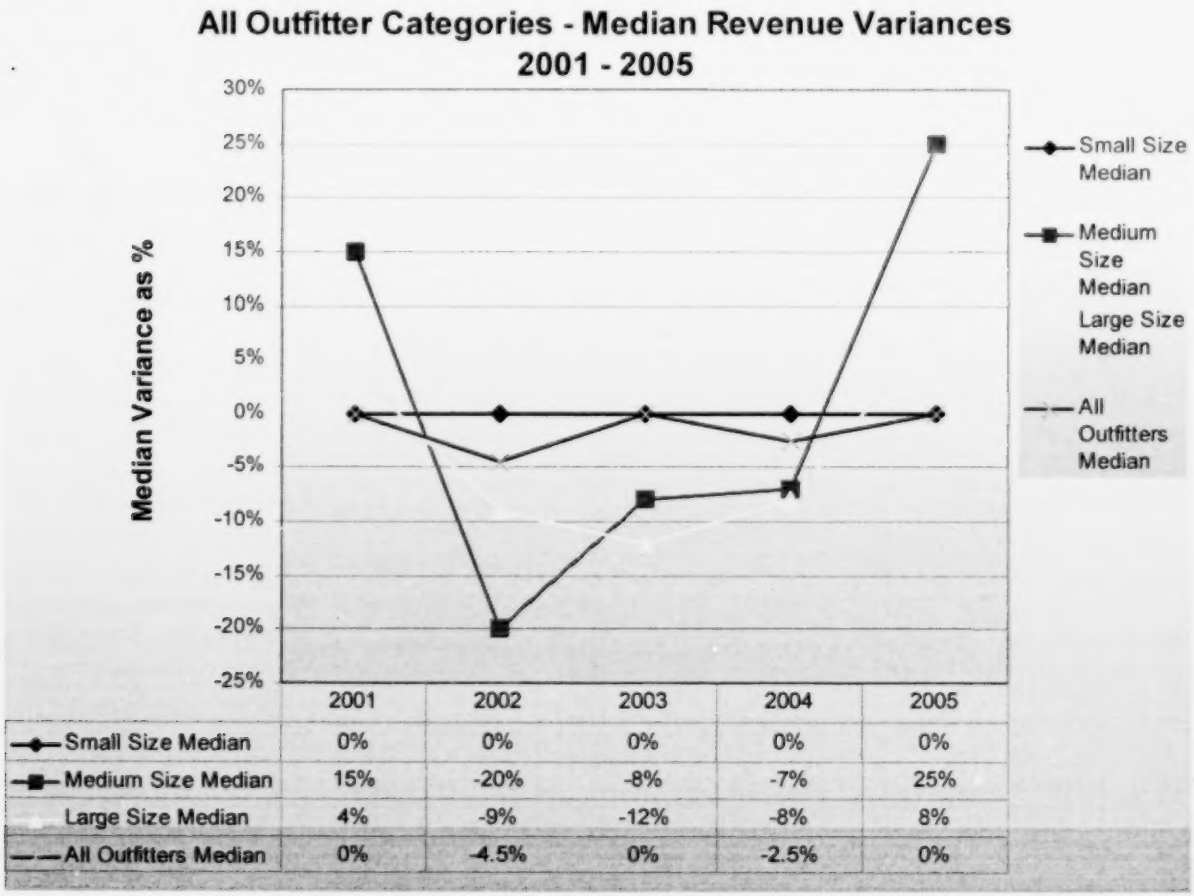
Revenue Trends and Frequencies

2001 - 2005 Five Year Revenue Summary

Survey Question:

"By comparing the following seasons to each other, please indicate whether your revenue increased, decreased or remained unchanged relative to the previous year. If it increased or decreased, please indicate the percentage".

Table 12



	2001	2002	2003	2004	2005
Small Size Median	0%	0%	0%	0%	0%
Medium Size Median	15%	-20%	-8%	-7%	25%
Large Size Median	4%	-9%	-12%	-8%	8%
All Outfitters Median	0%	-4.5%	0%	-2.5%	0%

The revenue trends outlined above depict a considerable, industry-wide, 3-year slump in business, which began with a sharp and substantial drop in revenue in the 2002 season. Overall, the 2002 season saw the worst performance over the 5 year analysis. Medium and large size operators were hit particularly hard during this season, seeing their revenue fall by a median of -20% and -9% respectively. The following 2 seasons both registered year over year decreases in revenue for medium and large size outfitters, although to a lesser degree than in 2002. Over this same period, tourism in Canada suffered widespread performance declines, especially during 2003 when the total number of inbound tourist trips declined by -12.7% over 2002. (Canadian Tourism Commission, Canadian Tourism Performance – 2003) The "saving grace" for the NWT outfitted sport fishing industry's overall revenue performance for the five year period was the 2005 season which resulted in growth for the two, larger size outfitter categories.

The recovery of medium size outfitter's revenues in 2005 was dramatic, rising by a median of 25%. The median change in revenue for small size outfitters during this five year period remained steady and unchanged each year at 0%. Essentially, small size outfitters remained almost completely unscathed by the downturn experienced by medium and large size outfitters. Due to the higher number of outfitters in the small size category, (this category represents 58% of the respondent base), the influence of this category's lack of variance in annual revenues can be seen in the softening of the all outfitters median revenue trend line. As a result, the all outfitters median revenue trend line indicates flat sales for the overall industry in 3 of the 5 seasons assessed and only moderate losses during 2002 and 2004.

While small size outfitters posted a neutral, 5 season median of 0%, both medium and large size outfitters experienced an annual median decrease in revenue, over the 5 year period, of -7% and -8% respectively. The consistent performance of small size outfitters in 2003 is again responsible for strongly influencing the median revenue change for all outfitters for the same year from showing a loss, to instead reading neutral (0%) or no change. By taking the small size outfitter's revenue figures out of the formula for the 2003 season, this results in a median revenue loss of -10% amongst medium and large size outfitters. Again, when excluding the small size outfitters category figures in calculations, the two remaining categories post a combined, annual, median

decrease in revenue of -7.5%. This compares with an all outfitters (including small size), annual median revenue variance, over the same 5 year period, of 0%.

The median revenue variance trend lines demonstrate a considerable rebound during the 2005 season over 2004. In fact, 2 of the 5 medium size outfitters surveyed reported revenue gains in 2005 of 90% and 118% compared with their previous season. Small size outfitters aside, the median increase in revenue during the 2005 season for medium and large outfitters together was 16.5%. In addition, of the 10 outfitters that compose the medium and large size outfitter categories, only one of these outfitters recorded a decrease in revenue in 2005. These are outstanding results. Unfortunately, during the 2004 season, the NWT outfitted sport fishing industry appears to have missed out on its fair share of a national increase in domestic fishing lodge business. "Of the 109.1 million nights spent in commercial establishments, more than half were in hotels/motels. Hunting and fishing lodges registered the largest gain (up 34.9%) in overnight stays, as Canadians spent 1.4 million nights in these establishments while traveling in Canada in 2004." (Canadian Tourism Commission Research, Canadian Travel Survey (CTS) Fact Sheet Year 2004 and Q4, June 1, 2005) It is unclear as to why the NWT outfitted sport fishing industry did not experience this influence.

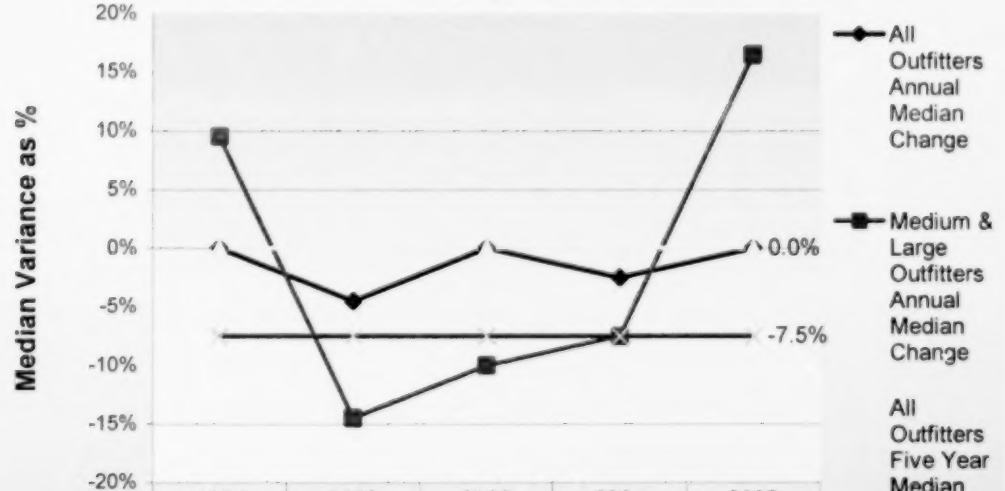
The importance of categorizing the sport fishing outfitters by revenue size is highlighted by the visible difference in the revenue trends of each category, as illustrated in the above chart. Both medium and large size outfitter's revenue results are clearly the more transparent indicators of market conditions of the three categories. In addition, outfitters within these two categories generate the majority of the industry's revenue, employ most of the guides/staff, host the majority of the Territory's fishing package tourists and are the greatest impetus in spin-off spending associated with the industry. Despite there being fewer medium and large size outfitters than small size outfitters, these two categories essentially represent the bulk of the economic activity of the industry. 86% of small size outfitters earn less than $55,000 in annual revenue each. "According to a 1999 survey of 825 outdoor tourism operators conducted by Statistics Canada for the Canadian Tourism Commission (CTC), 48% of the outdoor tourism businesses earn less than $50,000 in gross revenue and the median gross revenue per operator is $65,000.2 The operators earning less than $50,000 (48% of the industry) generated 3.1% of total

industry revenues while those operators earning more than $500,000 (7.4% of the industry) generated 68.7% of the total industry revenues (Statistics Canada, 2001)". (Insurance Issues and Alternatives in the Outdoor Tourism Sector in Canada, Canadian Tourism Commission, 2003)

Based on their revenue trends, the medium and large size categories share similarities with each other that neither shares with the small size category. With this in mind, the following chart emphasizes the five-year, revenue peaks and valleys experienced by the medium and large size operators with greater clarity by separating the small size category from its two larger siblings.

Table 13

Comparison of Median Revenue Variances - With and Without Small Size Category Outfitters 2001 - 2005



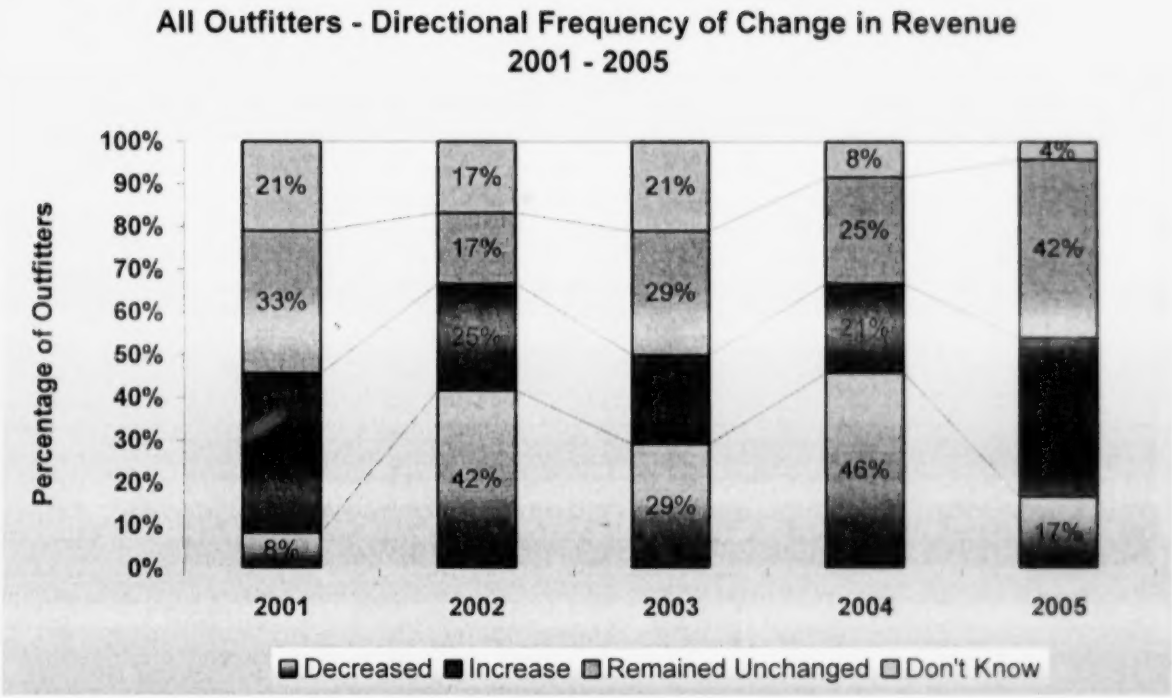
	2001	2002	2003	2004	2005
All Outfitters Annual Median Change	0%	-4.5%	0%	-2.5%	0%
Medium & Large Outfitters Annual Median Change	9.5%	-14.5%	-10.0%	-7.5%	16.5%
All Outfitters Five Year Median	0.0%	0.0%	0.0%	0.0%	0.0%
Medium & Large Outfitters Five Year Median	-7.5%	-7.5%	-7.5%	-7.5%	-7.5%

The above chart depicts a period of significant declines in revenue, year over year, during 3 consecutive seasons, for the medium and large size outfitter categories. This "slump" becomes apparent after segregating the small size outfitter category from the remaining outfitters and demonstrates the flattening effect of small size outfitter category data on overall revenue trend lines. The small category data clearly softens the peaks and valleys of the revenue trend line for all outfitters and has the effect of making the losses appear less dramatic and the revenue gains more subtle, when in reality, as can be seen in the medium and large size outfitters only trend line, these changes were actually abrupt and substantial shifts in business, especially during 2002 and 2005. Medium and large size outfitters experience greater increases in revenue during market upswings and at the same time are more vulnerable to the negative impacts of downturns compared with small size outfitters. Outfitters within these two categories appear to have the most to lose and the most to gain.

It is important to note that revenue data presented in this report was collected via the assessment survey and represents individual operator performance. Because no absolute values for revenue were collected during the research for this assessment, this report does not make statements about overall revenue changes for the industry as a whole and therefore each use of the term "all outfitters", in this report, refers strictly to all of the outfitters who participated in this assessment.

Aside from anecdotal reports, there exists very little data or analysis on the performance of outfitted sport fishing industries in other regions of Canada during the 2000 to 2005 time period. Post 2002, no industry benchmarks for the remaining years assessed in this report could be found. The lack of comparable data presents difficulties when attempting to explain and gauge the level of performance of the NWT outfitted sector.

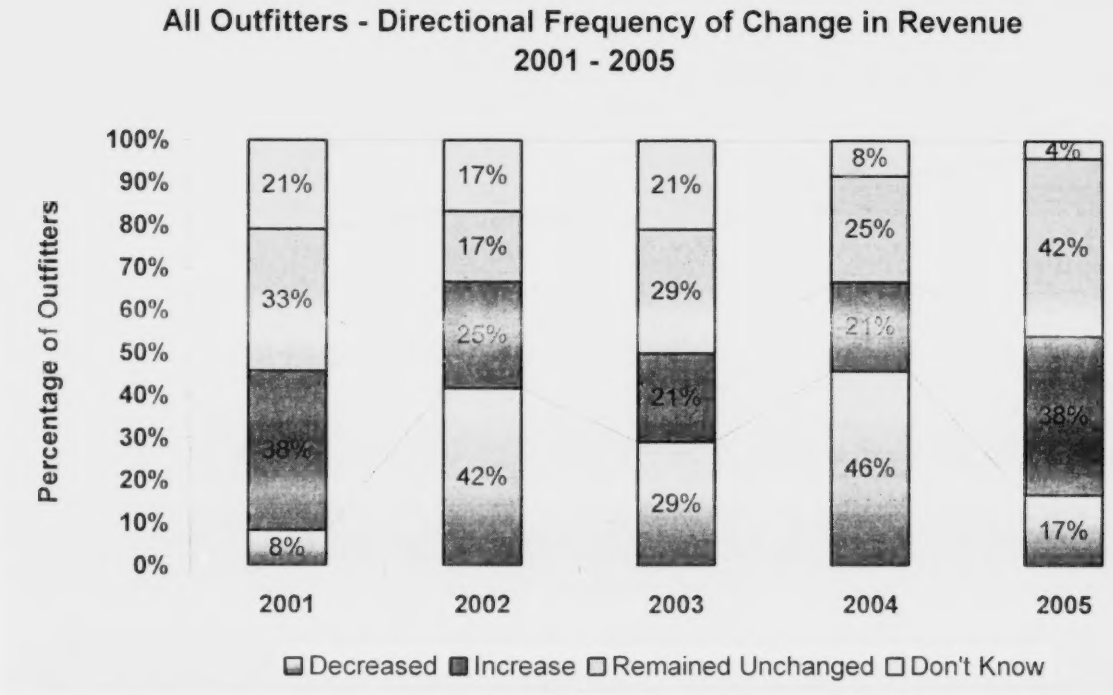
Table 14



2001 – 2005 Revenue Frequencies

The above and two proceeding charts illustrate the pervading trends towards increases, decreases, no changes or "don't knows" in revenue movement amongst outfitters during each of the 5 years assessed by this report. These frequencies measure the weight of influence of a trend in a specific direction based on the number of outfitters who indicated a similar change. The following two charts highlight the directional contrasts in revenue variance between the small and the medium/large size outfitter categories.

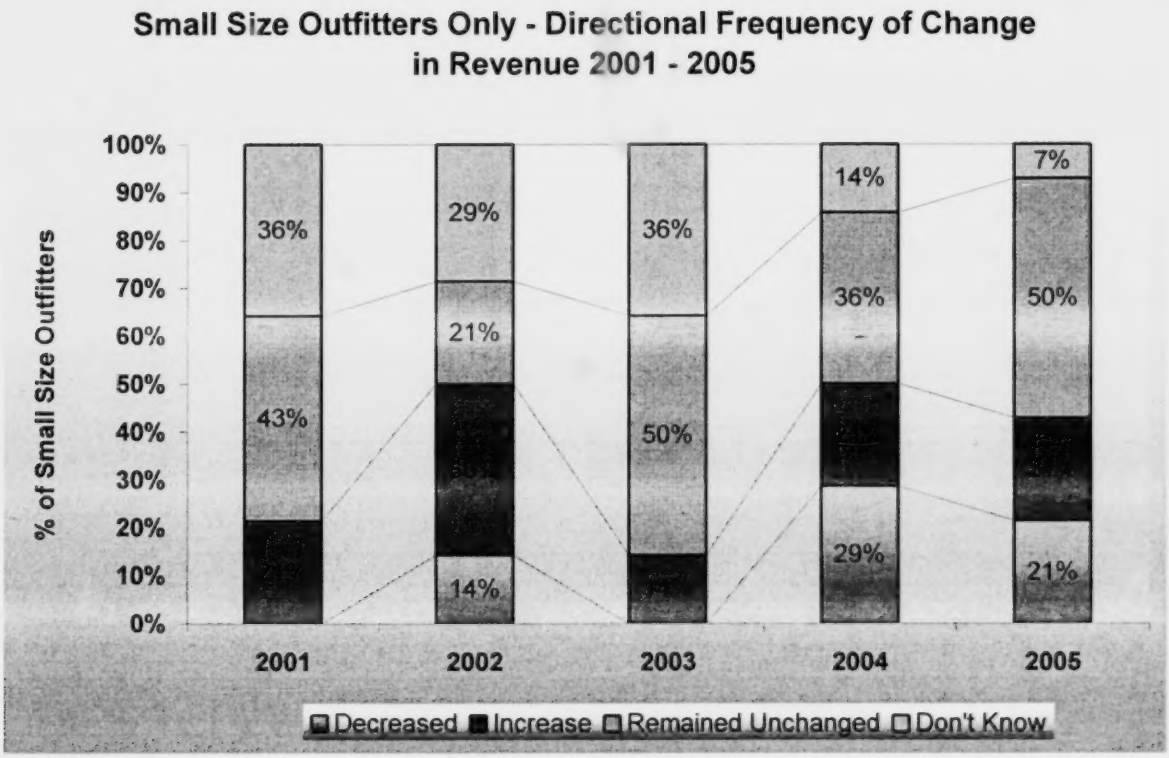
Table 14



2001 – 2005 Revenue Frequencies

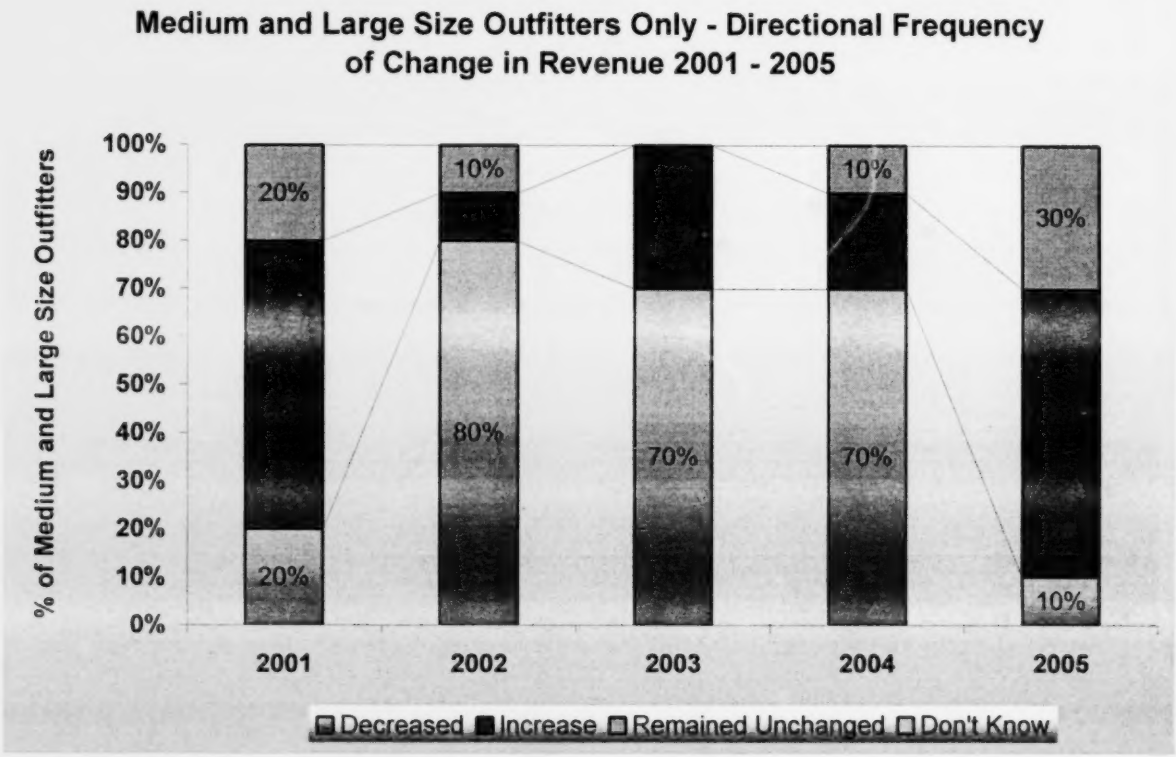
The above and two proceeding charts illustrate the pervading trends towards increases, decreases, no changes or "don't knows" in revenue movement amongst outfitters during each of the 5 years assessed by this report. These frequencies measure the weight of influence of a trend in a specific direction based on the number of outfitters who indicated a similar change. The following two charts highlight the directional contrasts in revenue variance between the small and the medium/large size outfitter categories.

Table 15



The vast majority of revenue "Remained Unchanged" indications and in fact, all of the "Don't Know" indications were received from small size outfitter survey respondents. This may suggest less accurate or non-existent record keeping and less attention to accounting detail by smaller size outfitters.

Table 16



The above frequency charts support the reported revenue variance trends, and thereby discount the possibility of influence from anomalies in the outfitter's revenue variance data. There is a distinct and direct correlation between the frequency and direction of change in revenue and a corresponding and reflective change in total revenue.

In contrast to the 2002 decline in revenue for larger size sport fishing outfitters in the NWT, Queen Charlotte Island (QCI) area lodges in B.C. fared well. "For most lodges, 2002 saw the best business in several years. For lodges outside the QCI", (still in B.C.), "we suggest that the operations just met their financial targets in 2002 (perhaps a higher 20% EBITDA [earnings before interest, taxes, depreciation and amortization] since they would have lower fixed costs but also lower occupancy rates); that is, they earned a normal profit." (BC Seafood and Recreational Fishing SWOT, GSGislason & Associates Ltd., 2004)

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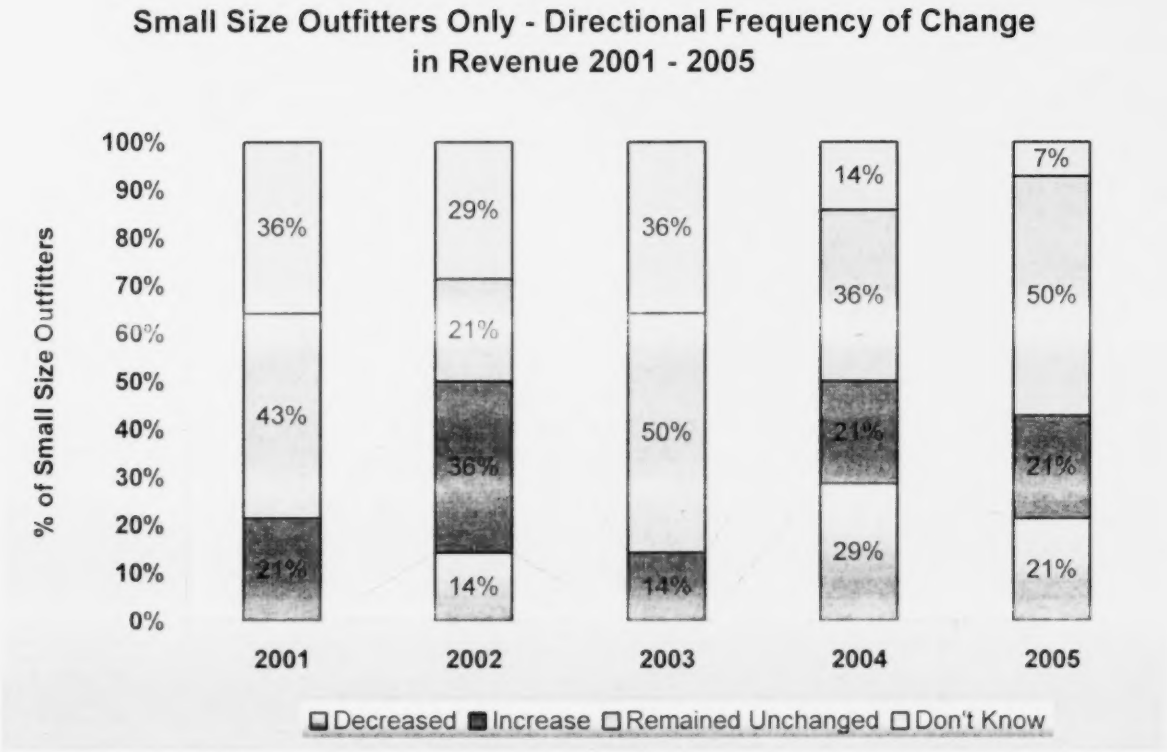

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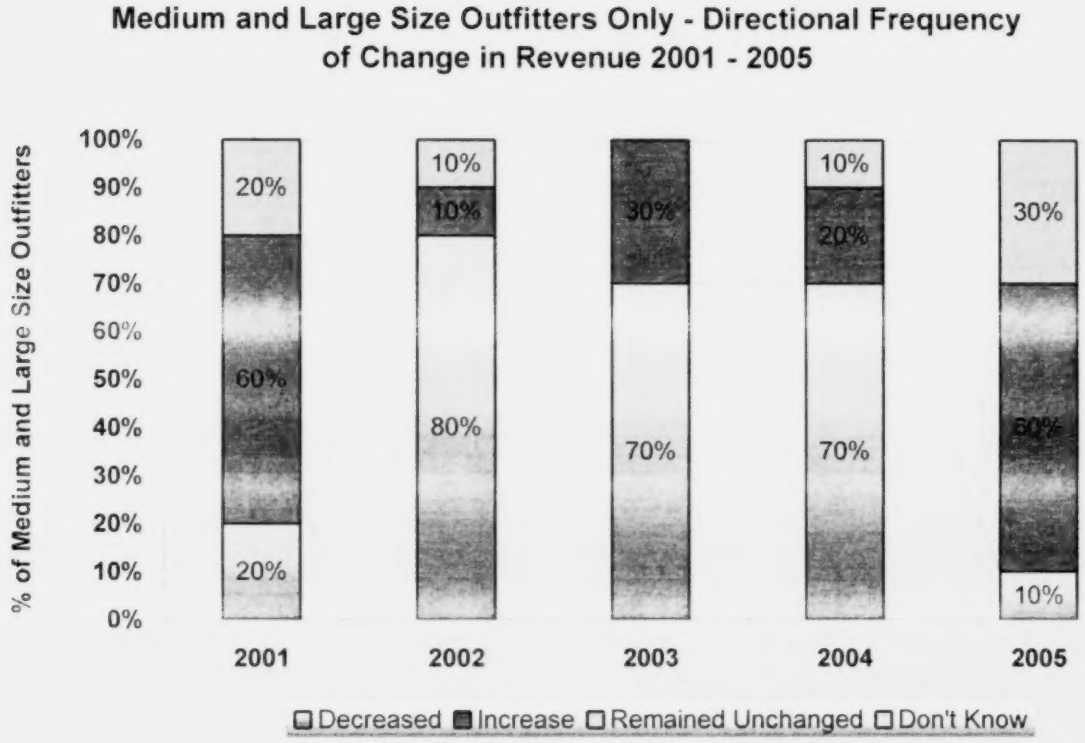

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Reliable, anecdotal evidence suggests that the outfitted sport fishing industry in Newfoundland & Labrador has experienced revenue trends in their marketplace, over the same period, that are similar to those experienced by NWT Outfitters. The following quote is from Lorraine Cooper, one of the owners of Cooper's Minipi Camps, located in Labrador and one of the region's most established and successful fishing lodges, having been in operation since 1978. "2000 was a good year. 2001 was good too. Always a steady, good increase, year after year. 2002, after the effects of 9/11, we personally were down 12% and we were "lucky". Other outfitters were down 25% - 50% and many of them only opened for 2 to 3 weeks that year. Everyone thought 2003 would be better, and it wasn't." (Lorraine Cooper, June, 2006)

Market Overview Summary

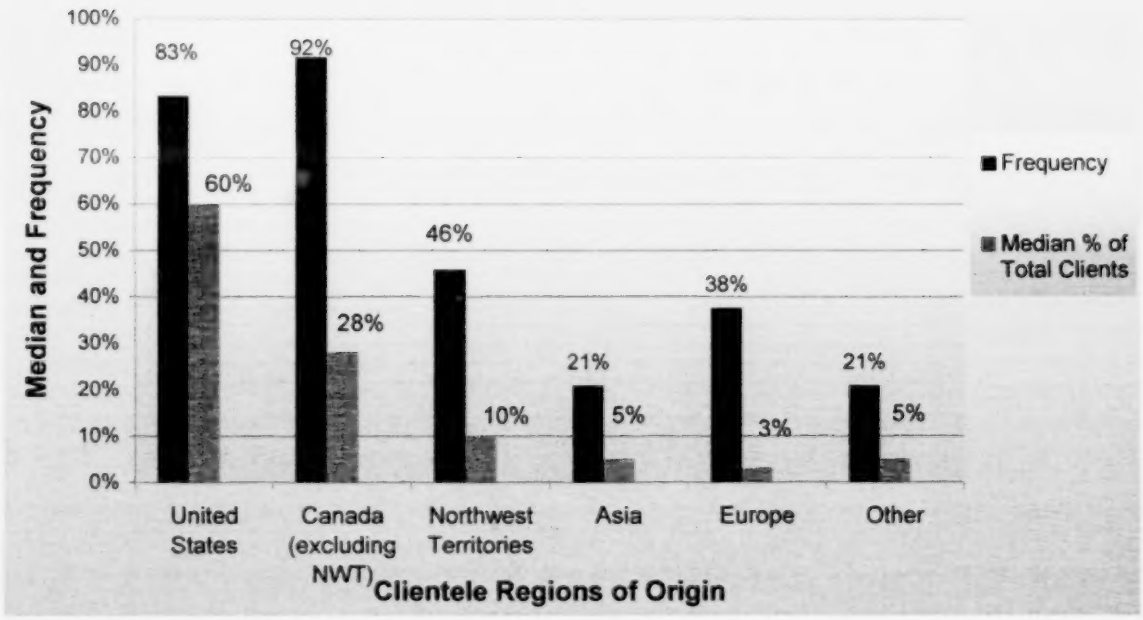
Industry Client/Revenue Base

Survey Question:

"In 2005, where were your clients from? Please indicate the percentage of your total client base that is composed by clients from each of the following regions."

Table 17

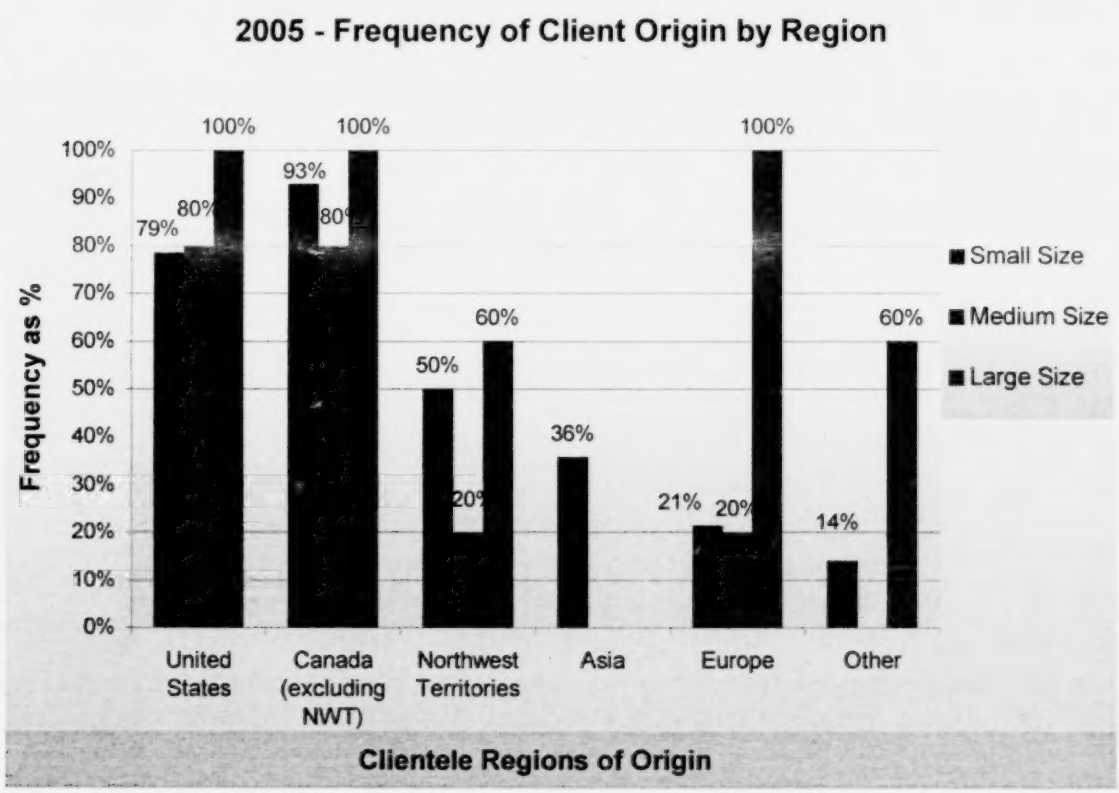
***2005 All Outfitters - Client Origin by Region Compared to Contribution to Total Client Base**



*The following explanation is intended to provide clarity as to the nature of the information presented in the above chart. As an example, for United States clientele, 83% of all outfitters have clients from the U.S. (Frequency). Amongst these outfitters with American Clients, a median of 60% of their total client base is Americans (Median % of Total Clients).

In order to examine market influences affecting the outfitted sport fishing industry in the NWT, it is first necessary to have an understanding of where the industry's clients originate and the weight that each region of client origin has, as a component of the industry's and each outfitter category's total client base. The above chart and the two subsequent charts provide a breakdown of the frequency of clients based on regional origin within each outfitter category. In addition, these charts present a breakdown of the weight of each region as a source of clients and revenue to each outfitter category.

Table 18



The NWT outfitted sport fishing industry is highly dependent, almost exclusively, on the U.S. and Canadian (including the NWT) markets for its client base. For those outfitters that had American clients, (83%), this client group represented over 60% of the client mix for half of these outfitters. A further 92% of all outfitters rely on the Canadian market, (excluding the

NWT). For these outfitters with non-resident Canadian clients, over half of them relied on this client group for 28% of their customer base. Amongst the 46% of the industry's outfitters who rely on NWT residents for business, half of them found NWT residents representing 10% or more of their total customer base. The remaining customer base is composed of Asian, European and other regional clients, although each of these groups represents little more than 1% of the industry's total clients.

The medium and large size category outfitter's client base, in particular, are heavily weighted by their reliance on U.S. customers. For example, in 2005, American clients represented 93% of the customer base for over half of the industry's medium size outfitters. However, one of the medium size category's outfitter respondents to this assessment's survey indicated that 100% of their clients are non-resident Canadians. The remaining medium size clients are from Europe (less than 0.5%). Asia and other regions are not presently active markets for the medium size outfitters who responded to the survey.

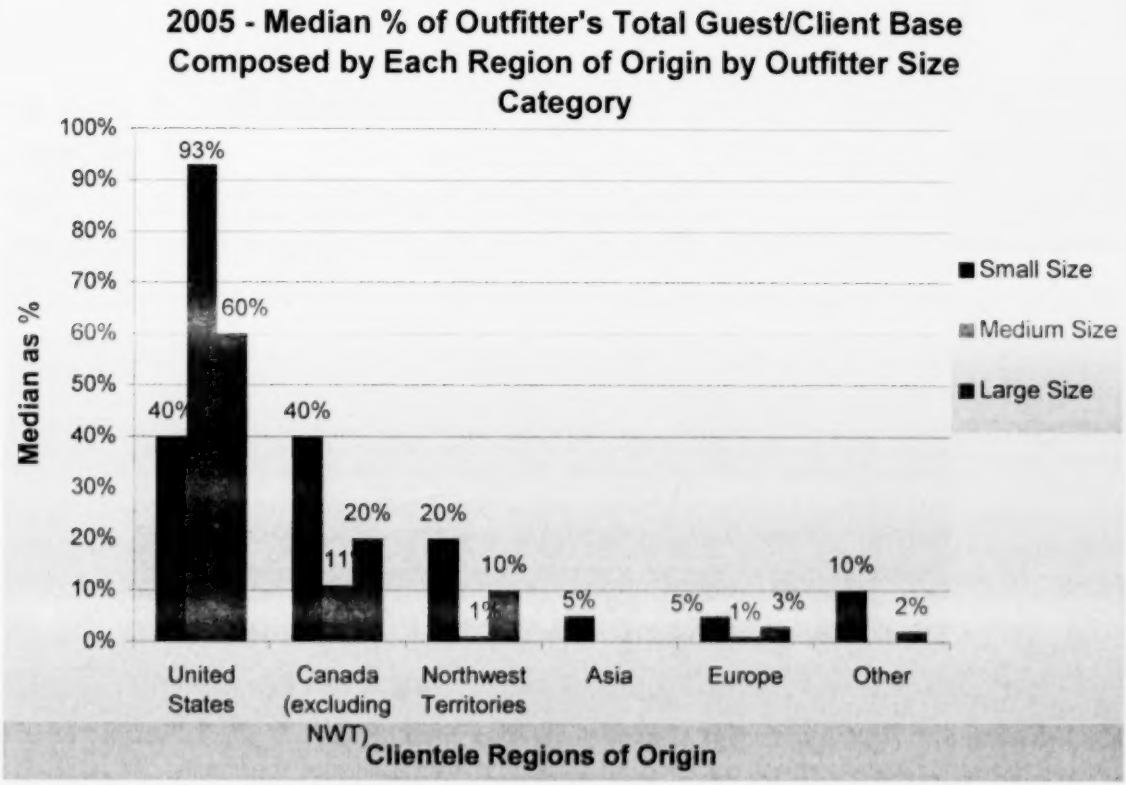
In the same year, large size outfitters saw American clients comprise 60% or more of the customer base for half of the outfitters in this category. A further 20% of over half of the large size outfitter's clients come from Canada (excluding NWT). Interestingly, of the 60% of the large size outfitters who had guests from Canada, 10% or more of their clients were from the Northwest Territories. The remaining visitors to large size outfitters in 2005 were from Europe, (each outfitter had clients from Europe) and elsewhere, not including Asia. There were a negligible number of clients from Asia to large size outfitters during the 2005 season.

For both medium and large size categories, the balance of their client base is weighted in favour of the U.S. as the largest source of customers, with the Canadian market coming second, although still of paramount importance. The opposite is true for small size outfitters. In their case, for half of the 93% of small size outfitters that rely on the Canadian market, Canadians comprise 40% or more of their customer base, while Americans comprise at least 40% of the base for half of the 79% that have U.S. customers. Small size outfitters also cater to the local, NWT market to a far greater degree than larger outfitters, with NWT residents comprising 20% or more of their market base.

Also of exception and unique to small size category outfitters is the statistic that they are the only category in the survey to have an Asian base show up on their customer base radar screens. In total, of the 36% who had Asian customers, half of these small size outfitters surveyed saw the Asian market compose 5% or more of their business. While, this is still an extremely small share of the industry's total client base, there is clearly a unique appeal of small size outfitters rates and/or trip schedules and service offerings to the Asian visitor market in addition to the local NWT resident market. Clients from Europe and elsewhere were again minimal amongst this category during the 2005 season.

The advantage, for some tourists, of a small size outfitter's services is that several are accessible by road and therefore less expensive than a fly-in fishing lodge. In addition, many small size outfitters offer shorter length trips of a few hours fishing, as opposed to a few days. Shorter fishing trips would appeal to those locals and tourists who are facing spending and time constraints on their holidays, and unable to dedicate more time and/or money to a lengthier fishing experience. Smaller size outfitters also tend to offer more diverse products and services.

Table 19



2000 – 2005 Travel Trends of Industry Client/Revenue Base

"The United States represents Canada's largest international market from a volume and tourism expenditures perspective. Over the 2000 to 2005 period, Canada lost ground in this market....by 2005, Canada suffered dramatic reductions in visitors from the U.S." (Canadian Tourism Commission, Changing U.S. Travel Trends to Canada Executive Summary of the U.S. Task Force Research conducted by DK Shifflet & Associates) The first six years of the 21st century have been an unsettled period of transition for Canada's domestic and international travel markets. The above statement on U.S. outbound travel to Canada provides a basic understanding of the nature of the market within which the industry has had to adjust. It is almost impossible to

enjoy immunity against such a strong tide of change in demand from a client base that represents approximately 50% of the industry's total.

Fewer U.S. visitors to Canadian destinations recently are the result of several factors, including but not limited to, higher fuel prices, higher air transportation costs, post 9/11 travel fears and apprehension, an increasingly unfavourable exchange rate with Canada, a perception of border crossing difficulties, SARS and divisive political stances between our countries such as the Gulf War. (Canadian Tourism Commission) Also working against tourism operators within the NWT are the changes in attitudes amongst not only U.S. visitors but Canadian domestic travelers as well (the second largest customer base for NWT sport fishing outfitters). More than 20% of these two travel groups surveyed in 2005 claimed that within the previous two years they took fewer overnight trips, over 30% said they took overnight trips that are closer to home and that these trips are shorter in length. (Travel Intentions Survey, May 05, Ontario Ministry of Tourism). Adapting to these new realities is presently testing the mettle of the industry in the NWT. The relative and considerable remoteness of many of the industry's outfitter's locations, only works to magnify and exacerbate the consideration of existing travel obstacles felt by U.S. clients, mainly higher fuel and air transportation costs.

A revealing indicator of declining numbers of American and non-resident Canadian anglers visiting the NWT over the time period assessed by this report is evidenced by changes in Territorial sport fishing license sales. Between the years 2002 and 2005 inclusive, non lodge, non-resident Canadian license sales have declined by an annual average of -4.15%/year. Non-lodge, U.S resident license sales have declined by an annual average of -3.35%/year and total non-lodge license sales have decreased by an annual average of -4.45%/year. Overall, non-lodge, non-resident sport fishing license sales in the NWT for the 2005/2006 season were -18.9% lower and non-lodge, U.S. resident license sales were -22.03% lower than they were 2001/2002.

Two recent trends are of specific concern to the outfitted sport fishing industries throughout North America. The first is a downward trend in the number of new anglers as a percentage of the population in both the U.S. and Canada. The second is increased competition from non-traditional sport fishing destinations and new recreational opportunities. David Ransom, the

Lead Researcher with the Freshwater Fisheries Society of B.C., when asked about current conditions in the outfitted sport fishing industry in B.C., responded that "we're in a fight for market share with other recreational activities". The world wide web (Internet), in particular, enables travelers to easily research information on recreation/adventure alternatives that would not have been available to the same traveler ten or fifteen years ago. The consensus amongst industry participants is that these alternative recreation opportunities such as white water rafting, kayaking, mountain climbing and eco-tour lodges are competing with them for the same customer base and are having a noticeable impact. Some fishing lodges in Canada, such as Nimmo Bay Resort in B.C., are expanding their service offerings to include non fishing related outdoor experiences to guests, in an attempt to keep pace with this evolving market.

In addition to new recreation activities competing with NWT sport fishing outfitters for clients, there are fishing lodges in other countries in Central and South America that are beginning to develop client bases in the U.S. and Canada. These lodges are price competitors to lodges in the NWT and elsewhere in Canada and their internet presence is putting them on an even playing field with NWT lodges for North American angler client's attention. Keith Wilson, owner of Wilson's Sporting Camps Ltd., located for over a century in New Brunswick, explains, "Another major factor to the industry's slide is the new global competition that was not an issue 30 years ago". For many North Americans, traveling to a fishing lodge in Russia or Costa Rica is not as unrealistic an option as it might have been ten or more years ago. This evolving, international competition is a new reality for the global, outfitted sport fishing industry and will play a role in shaping the future of the industry in the NWT. An example of this is Robert Hill's suggestion, (Owner, Kasba Lake Lodge, NWT), that as the U.S. exchange rate with the Canadian dollar worsens, "it can be cheaper for some American clients to go to South America fishing, two times, for what it costs to go to the NWT."

Based on available market data, the number of active anglers in Canada and the United States is on the decline. "Angling market penetration in the U.S. peaked in 1990 (30.3 million licenses issued) and declined by 9% to 27.9 million in 2003". (Sport Fisheries Literature Review and Research Gap Analysis Report, Williams, Dossa, and von Gaza, Simon Fraser University, 2006, for the Freshwater Fisheries Society of B.C.) In Canada, between the years 1995 and 2000, the

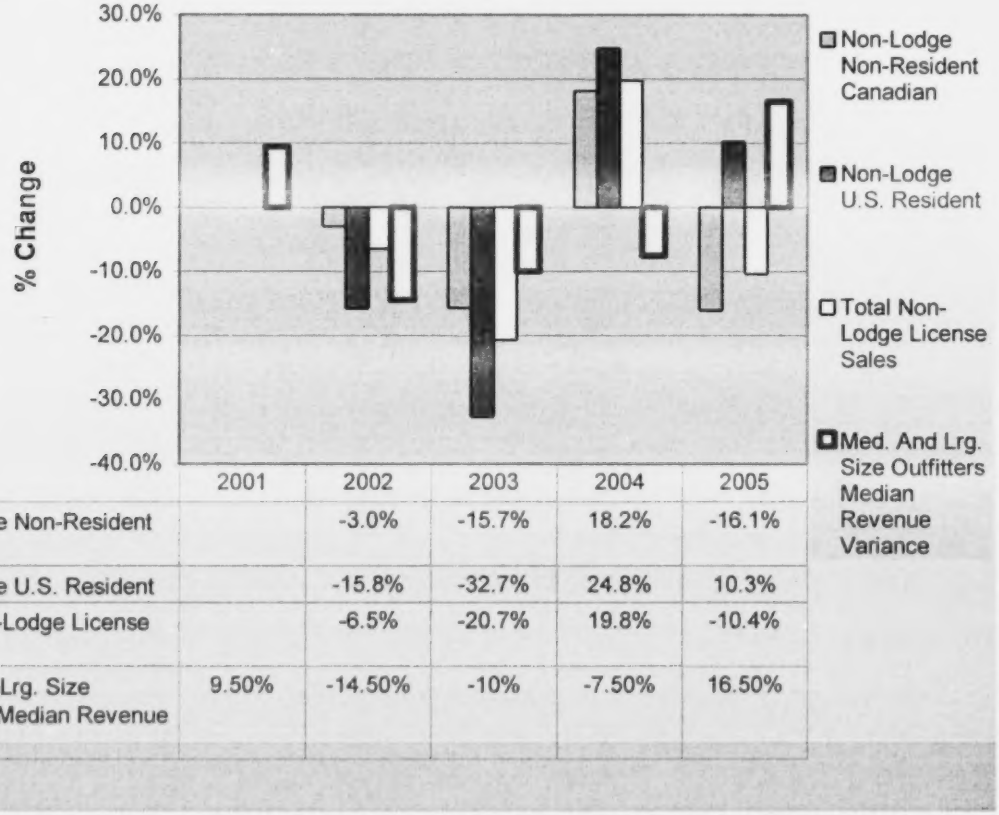
number of active resident anglers declined from 3,285,840 to 2,688,139, a decline of -18.2 %. These statistics and their fallout within the industry are of concern to a number of outfitters. However, research initiatives for this report could not find any evidence that these declining trends in recreational angling participation were having a negative impact on the outfitted sport fishing industry in the NWT, at present. In fact, contrary to this trend, in Canada, when comparing the years 1995 and 2000, the number of non-resident, non-Canadian active anglers increased from 749,260 to 774,006, an increase of 3.3%. Furthermore, when comparing the same seasons, the number of active, non-resident, non-Canadian adult anglers purchasing fishing licenses in the Northwest Territories increased from 3,137 to 3,902, an increase of 24.4%. (1995 and 2000 Surveys of Recreational Fishing in Canada, Department of Fisheries and Oceans)

Additional research suggests that over the next two decades, the numbers of guests to Canadian fishing lodges will continue to grow, although not on par with population growth as a percentage. A 2004 report suggests that of the 512,000 Canadian wilderness resort guests with recent pleasure trips to British Columbia, 66% of them fished and 48% stayed at a fishing/hunting lodge while doing so. This same report projects that by 2026, 723,000 will visit wilderness resorts on pleasure trips to B.C. and that 51% of these visitors will stay at a fishing/hunting lodge. This report also states, that "little change in the outdoor activity choices among wilderness resort guests is anticipated over the next two decades." Wilderness resort guests are defined as Canadian travelers who have stayed in one of the following lodgings while on a trip in the past two years: wilderness lodge (drive to), fishing/hunting lodge, remote/fly-in lodge, or a remote/fly-in outpost." (Opportunities for British Columbia: Activity Based Tourists in Canada, Research Resolutions & Consulting Ltd., August 2004 with reference to Special TAMS Tabulations, Canada Current/2026, table 9)

While there are presently no doomsday predictions suggesting the collapse of the industry as a result of a decline in the popularity of fishing over the coming decades, it is paramount that industry associations and related government agencies engage the North American public pro-actively in an effort to continuously attract, re-attract and retain recreational anglers.

Table 20

Annual % Change in Non-Lodge Fishing Licence Sales V.S. Medium and Large Size Outfitters Median Revenue Variance 2001 - 2005



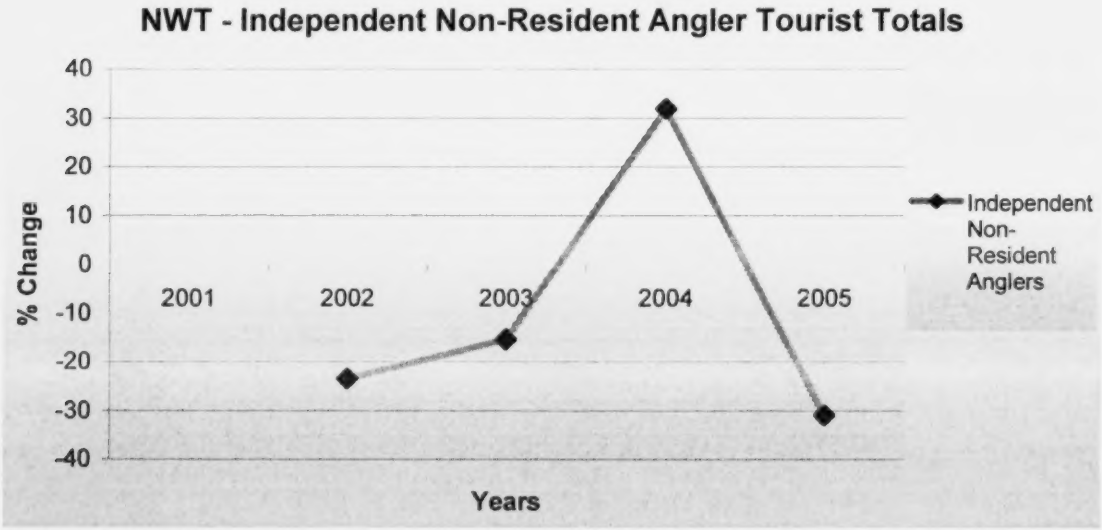
	2001	2002	2003	2004	2005
Non-Lodge Non-Resident Canadian		-3.0%	-15.7%	18.2%	-16.1%
Non-Lodge U.S. Resident		-15.8%	-32.7%	24.8%	10.3%
Total Non-Lodge License Sales		-6.5%	-20.7%	19.8%	-10.4%
Med. And Lrg. Size Outfitters Median Revenue Variance	9.50%	-14.50%	-10%	-7.50%	16.50%

*Source – Government of the Northwest Territories

A considerable proportion of the non-lodge, non resident licenses sold in the NWT are purchased by independent, non-resident anglers. This group is composed of anglers who travel to the NWT specifically for a fishing holiday. They are self-guided and fishing is their primary motivation for visiting the Territory. The remaining non-lodge, non resident licenses are purchased by visitors who desire to fish while visiting the NWT but whose primary motivation for traveling to the NWT is something other than fishing. The recent trend of independent, angling visitors to the NWT is outlined in the chart below. From these figures it is evident that independent, non-

resident angler tourist totals shared a dramatic drop in 2002 and a similar decline in numbers in 2003, to that of package angler tourist totals (illustrated by outfitter revenue trends in previous charts). Independent angler tourist totals rebounded with gusto in 2004, a year earlier than for package angler tourists, before plummeting in 2005.

Table 21



*Source – Government of the Northwest Territories

The above trend line represents a sizeable decline in the number of independent anglers visiting the NWT from the U.S. and elsewhere in Canada during this five year period. In 2005, the number of non-resident, independent angler tourists to the NWT was -41% lower in comparison to the 2001 season. In addition, in 2005, there were fewer non-resident, non-Canadian sport fishing licenses sold than in 1995, (2866 licenses vs. 3137 licenses). (Department of Fisheries and Oceans, 1995 Survey of Recreational Fishing in Canada) In fact, the 2001-2005 annual average of non-resident, non-Canadian license sales of 2,956 is below the 1995 total and well below the 2000 total of 3,902. (Government of the Northwest Territories) and (Department of Fisheries and Oceans, 2000 Survey of Recreational Fishing in Canada)

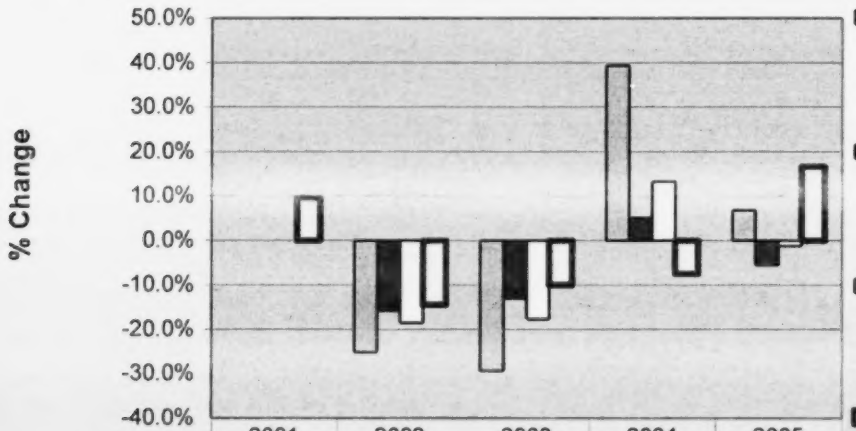
While the travel habits and characteristics/demographics of independent anglers do vary from those of lodge or package fishers, both groups are generally motivated in their travels to the NWT by the fishing. (Tourism and Parks, Department of Industry, Tourism and Investment, 2002 Visitor Exit Survey) The declining trend outlined above, in addition to recent revenue declines evident within the outfitted sport fishing industry, suggest that the NWT has gradually been falling out of favour, or slipping from the radar screen, of non-resident Canadian and American resident anglers.

During the same time period and on par with outfitter guest number totals and revenue trends, lodge based sport fishing license sales were also down. Lodge license sales to non-resident Canadians declined by an annual average of -2.1%/year, sales to U.S. residents were down by an annual average of -7.32%/year and total lodge license sales decreased by an annual average of -6.05%/year. Overall, lodge based, non-resident Canadian license sales for the 2005/2006 season were down by -21.24% over the 2001/2002 season. During the same time, lodge based, U.S. resident license sales were down by -27.4%. In 2004, lodge based license sales to non-resident Canadians shot up by 39.3% and rose again by almost 7% in 2005.

Overall, lodge based license sales figures to U.S. residents saw the greater decline compared to non-resident Canadian sales. Other regional, outfitted sport fishing sectors have also experienced downturns. Ontario's industry has endured its own declines in angler visitors to the province within the past five seasons. Mr. Jim Grayston, Partnership Coordinator of the Angling Marketing Industry Team with the Ontario Tourism Marketing Partnership Corporation, reflected during an interview relating to the NWT assessment that "the Ontario fishing guide and lodge industry is still trying to get back to pre-9/11 client figures. This process of recovery appears to have begun, for the majority of businesses, as of the 2004 season".

Table 22

Annual % Change in Lodge Fishing Licence Sales V.S. Medium and Large Size Outfitters Median Revenue Variance 2001 - 2005



	2001	2002	2003	2004	2005
Lodge Non-Resident Canadian		-25.2%	-29.3%	39.3%	6.9%
Lodge U.S. Resident		-15.9%	-13.0%	5.1%	-5.5%
Total Lodge License Sales		-18.5%	-17.7%	13.2%	-1.2%
Med. And Lrg. Size Median Revenue Variance	9.50%	-14.50%	-10%	-7.50%	16.50%

*Source: Government of the Northwest Territories

Total leisure visitor figures to the NWT over the past five seasons do not parallel the revenue trends and fishing license sales trends of the outfitted sport fishing industry over the same period. The average annual change in total leisure visitors to the NWT between 2001 and 2005 is an increase of 3.4%. This is in contrast to an average annual decrease of -6.05% in lodge based fishing license sales and a median annual decrease in revenue amongst medium and large size outfitters of -10%. In 2002, total NWT leisure visitor figures were up a staggering 31.1% during what was the hardest hit year for the outfitted sport fishing industry, when medium and large size outfitters experienced a median decline in revenue of -14.5%, in addition to a similar decline in lodge based license sales of -18.5%. These and other disparities in trends suggest influences,

which may be unique to the outfitted sport fishing industry, and not applicable to other sectors of the leisure tourism market, may be at play. In addition, the outfitted sport fishing industry's weight within the NWT tourism market has not kept pace with the healthy growth seen by the overall leisure tourist market in the NWT. In 2001, outfitted sport anglers represented 11.4% of the number of leisure visitors received by the NWT. In 2005, this ratio had shrunk and fishing clients of the outfitted industry constituted 6.5% of the total number of leisure visitors.

Frequency and Direction of Change Within Industry's Client Mix Ratio

Survey Question:

"Comparing your 2005 guest numbers to your year 2000 numbers, has the percentage of guests to your operation from the following regions, increased, decreased or remained unchanged".

Table 23

Frequency and Direction of Change - United States Clients 2000 – 2005	Response Percent	Response Total
Increased	0%	0
Decreased	27.3%	6
Remained Unchanged	54.5%	12
Don't Know	18.2%	4

Table 24

Frequency and Direction of Change - Canadian (excluding NWT) Clients 2000 – 2005	Response Percent	Response Total
Increased	22.7%	5
Decreased	4.5%	1
Remained Unchanged	50%	11
Don't Know	22.7%	5

Table 25

Frequency and Direction of Change - Northwest Territories Clients 2000 – 2005	Response Percent	Response Total
Increased	21.1%	4
Decreased	10.5%	2
Remained Unchanged	36.8%	7
Don't Know	31.6%	6

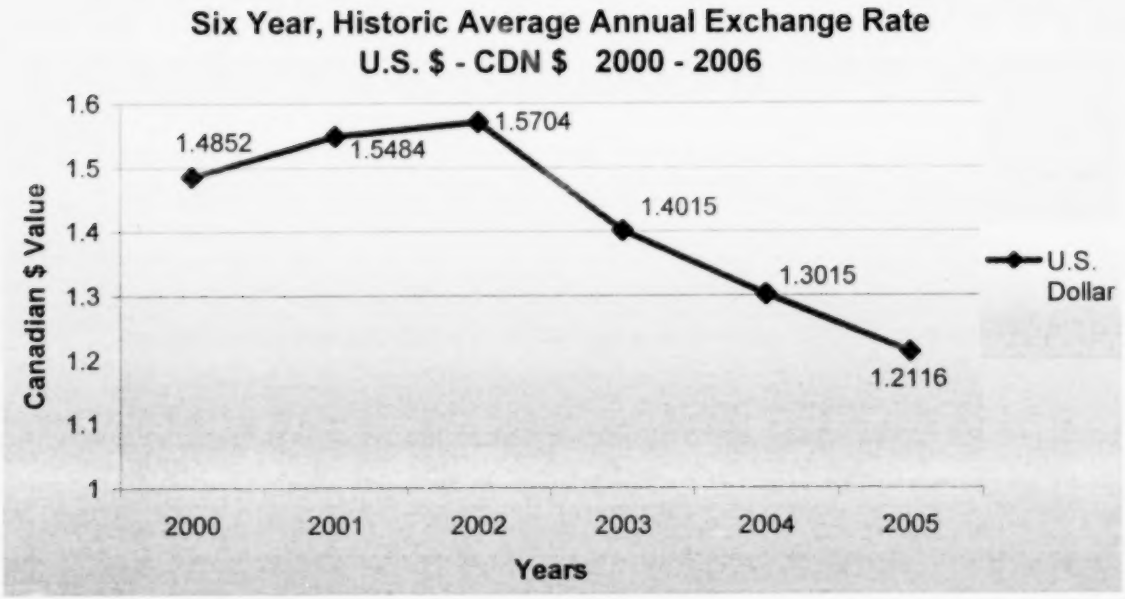
As illustrated in the above frequency charts, the industry is seeing a shift in the mix of its client base. Essentially, between 2000 and 2005, the industry has observed a slight increase in the weight of the non-resident and resident Canadian market in relation to their total clients. This increase is filling the gap left by a retreating volume of U.S. resident clients. The primary recipients of this trend are the medium and large size outfitters who appear to be impacted in particular. For example, of the 22 respondents to this question, not one has seen the share of U.S. visitors in their client mix increase over six seasons. Of the six decreases indicated for this group, 3 of the respondents were large size outfitters and 1 was medium size. During this same period, only 1 or 4.5% of respondents (a small size outfitter) experienced a decrease in their ratio of non resident Canadian clients, while 22.7% or 5 outfitters saw increases. Of these five outfitters, 3 were large size outfitters and 1 was medium size. Regarding shifts in the mix ratio volume of Northwest Territories clients between 2000 and 2005, 3 of 4 outfitters indicating increases were large size outfitters and of those indicating decreases, only one was a medium size category outfitter. It is important to note that the vast majority of the industry's annual volume of customers travel through a medium or large size outfitter's operation.

According to Eric Kristianson, the Communications Director for the B.C. Sportfishing Institute, a similar shift in the client base of many, high end, west coast fishing lodges has evolved in recent years. He estimates that presently, approximately 60% of this lodge group's clients are Canadian residents and roughly 40% are U.S. and international residents. In the past, the reverse was true.

It is suspected that the bulk of NWT sport fishing outfitter's indicated increases in their Canadian client to total clients ratio took place towards the end of the six year period assessed. Evidence of this can be seen during the 2004 and 2005 seasons, when lodge based license sales to non resident Canadians rose considerably, jumping 39.3% in 2004 alone over 2003. The principal advantage to outfitters from an increase in the Canadian client ratio to total clients is to bolster their Canadian dollar income, which reduces the industry's exposure to reductions in revenue due to a declining, U.S. $ to CDN. $ exchange rate. It is important to note that the majority of medium and large size outfitter's rates are charged in U.S $'s. In addition, many outfitters sell packages to clients and receive deposits a year and in some cases two years, in advance in U.S. $. With three years (2003 – 2005 inclusive) of consecutive depreciation in the value of the U.S. $, relative to the CDN $, all of each of these season's U.S. $ revenue, (billed and/or deposits received the year previously), had lost value by the time it was actually earned; and prices which were agreed to the year previously had to be honoured. For example, deposits taken in 2002 for the next season were worth 10.75% less in 2003. Losses in revenue from exchange rate devaluation alone averaged -8.3%/year from 2003 to 2005, inclusive. As a result, it is possible that the increase in the proportion of Canadians in 2005 contributed to the increase in revenue for medium and large size outfitters during this season.

The repercussions of an increase in the value of the Canadian $ relative to the U.S. $ act as a double edged sword as they also serve to increase the costs associated with traveling to the NWT for U.S. customers, thereby eroding the price advantage appeal of Canadian based operators. In addition, as the Canadian $ value increases, destinations such as Alaska appear more attractive as competitive alternatives to NWT sport fishing outfitters.

Table 26



*Source: Bank of Canada

2000–2005 Frequency of Directional Change in Guest/Client Numbers

Survey Question:

"During the following seasons, please indicate whether the total number of guests to your operation increased, decreased or remained unchanged in comparison with the previous season."

Table 27

2005 - Increase

	Response Percent	Response Total
Increased	43.5%	10

Decreased	21.7%	5
Remained Unchanged	21.7%	5
Don't Know	13%	3

Table 28

2004 – Decrease	Response Percent	Response Total
Increased	13%	3
Decreased	34.8%	8
Remained Unchanged	30.4%	7
Don't Know	21.7%	5

Table 29

2003 – Decrease	Response Percent	Response Total
Increased	17.4%	4
Decreased	39.1%	9
Remained Unchanged	21.7%	5
Don't Know	21.7%	5

Table 30

2002 – Decrease	Response Percent	Response Total
Increased	21.7%	5
Decreased	26.1%	6
Remained Unchanged	26.1%	6
Don't Know	26.1%	6

Table 31

2001 – Increase	Response Percent	Response Total
Increased	39.1%	9
Decreased	26.1%	6

Remained Unchanged	8.7%	2
Don't Know	26.1%	6

Table 32

2000 – Increase	Response Percent	Response Total
Increased	34.8%	8
Decreased	4.3%	1
Remained Unchanged	26.1%	6
Don't Know	34.8%	8

2000 – 2005 Outfitter Rates Adjustments

Survey Question:

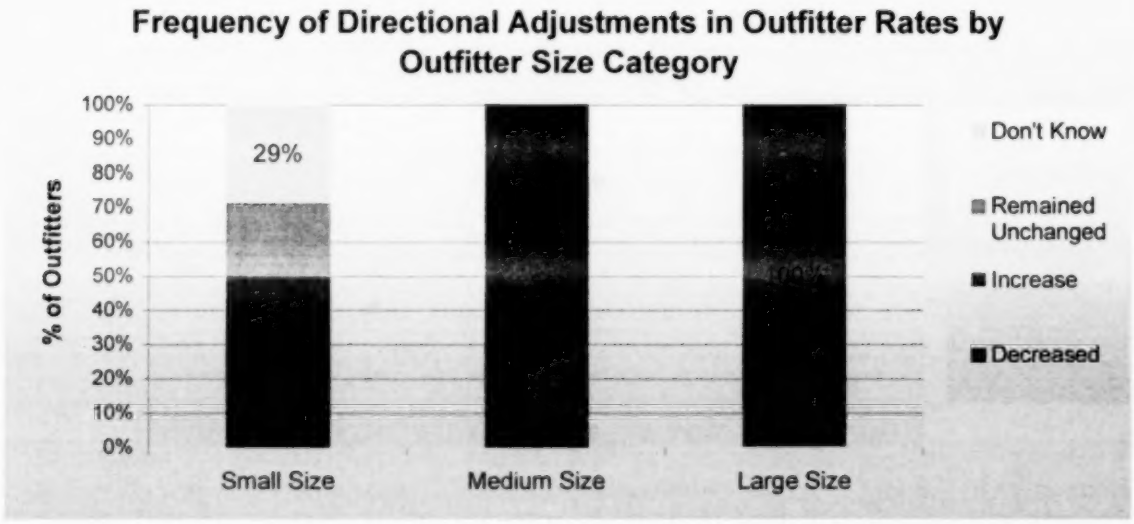
"For 2005, had your rates increased or decreased compared with the 2000 season"?

Table 33

2005 – Increase	Response Percent	Response Total
Increased	63.6%	14
Decreased	9.1%	2
Remained Unchanged	13.6%	3
Don't Know	13.6%	3

Frequency of Rates Adjustments

Table 34



Extent of Rates Adjustments

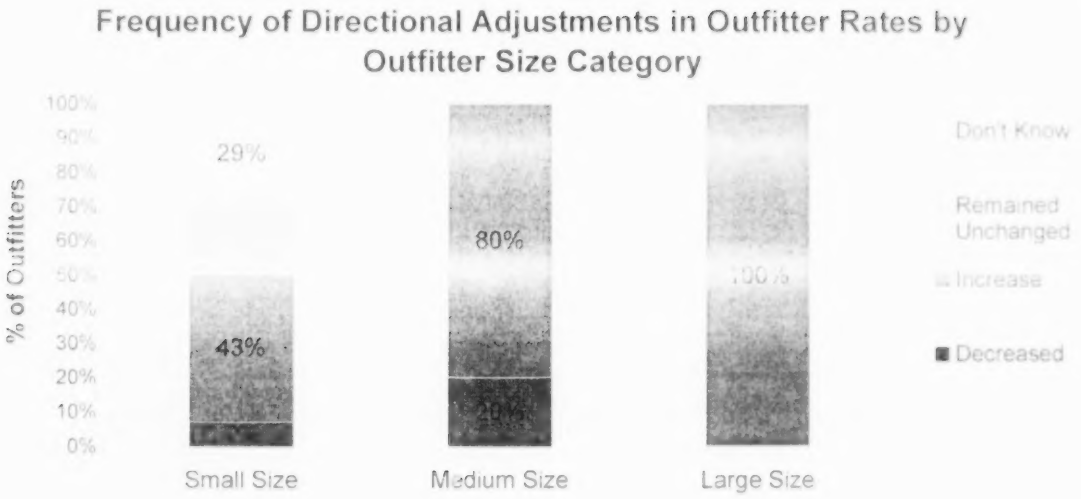
Survey Question:

"For 2005, by what percentage had your rates increased or decreased, compared to the 2000 season"?

Table 35

Frequency of Rates Adjustments

Table 34

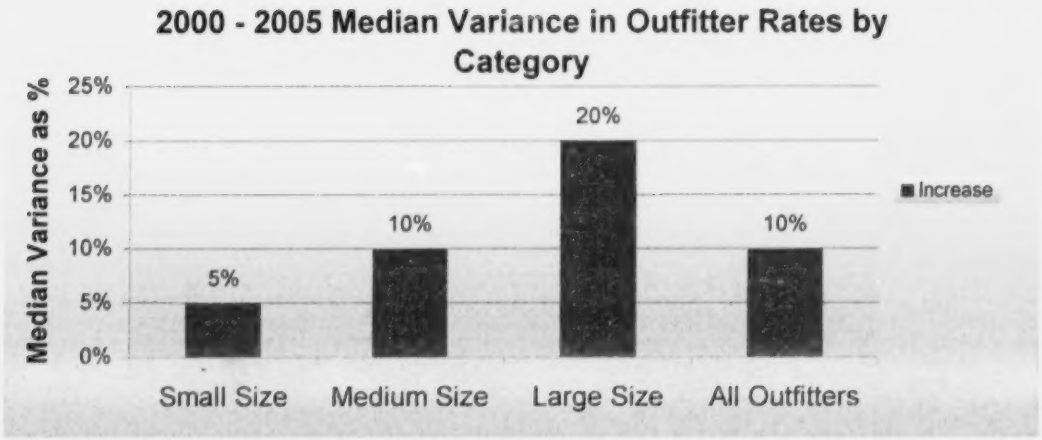


Extent of Rates Adjustments

Survey Question:

"For 2005, by what percentage had your rates increased or decreased, compared to the 2000 season"?

Table 35



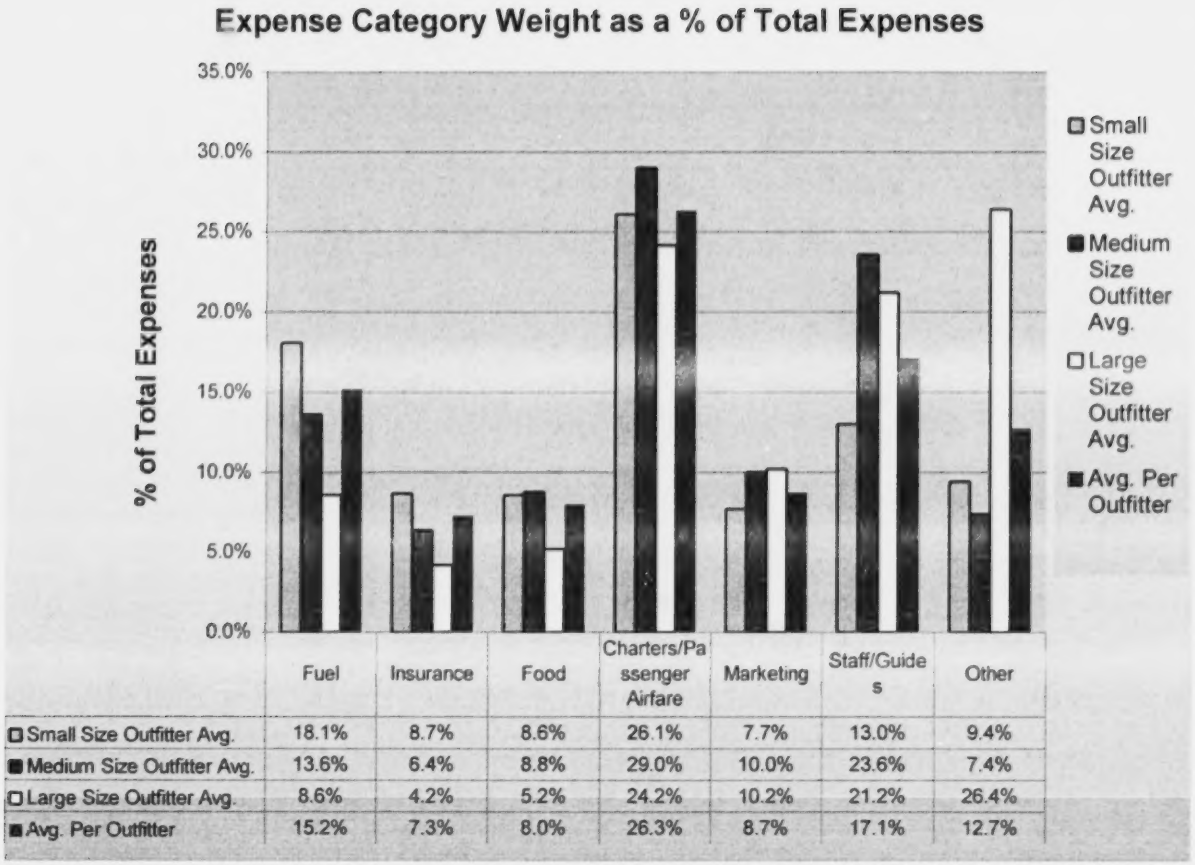
Fluctuations in annual revenue figures for sport fishing outfitters in the NWT between 2001 and 2005 are mirrored by almost identical fluctuations in guest visitation numbers during the same time period. Rate increases by the outfitters, as outlined in the charts above, were not sufficient enough to offset the impact in lost revenue as a result of declining guest numbers during the period between 2002 and 2004, inclusive. This is despite increases in rates over the 5 years by a rate increase median of as much as 20.6% (median increase per large size outfitter). The highest frequency of a decrease in guest visitation numbers was experienced during the 2003 season with almost 40% of outfitters registering a decline. The previous season saw a less dramatic decline by 26.1% of outfitters and resulted in a more substantial decline in revenue for the 2002 season. This would suggest that substantial portions of the rates increases that took place over the 5 seasons were implemented beginning in 2003.

It is important to note that despite declining revenue and guest visitations, outfitters almost completely resisted devaluing their rates. In fact, 90% of the industry's medium and large size outfitters raised their rates by a combined median of 15% over the 5 years, and only one of fourteen small size outfitters lowered their rates. Note well, that based on interviews with the outfitter respondents, rate increases were seen by many outfitters as their only recourse to offset the substantial cost increases they were also facing during this time.

Composition and Value Breakdown of Total Expenses

Survey Question: "What percentage of your total annual costs related to your fishing operation do the following expenses compose?"

Table 36



	Fuel	Insurance	Food	Charters/Passenger Airfare	Marketing	Staff/Guides	Other
Small Size Outfitter Avg.	18.1%	8.7%	8.6%	26.1%	7.7%	13.0%	9.4%
Medium Size Outfitter Avg.	13.6%	6.4%	8.8%	29.0%	10.0%	23.6%	7.4%
Large Size Outfitter Avg.	8.6%	4.2%	5.2%	24.2%	10.2%	21.2%	26.4%
Avg. Per Outfitter	15.2%	7.3%	8.0%	26.3%	8.7%	17.1%	12.7%

Between 2000 and 2005, all expense category costs associated with operating a remote sport fishing operation in the Northwest Territories have risen and several have jumped substantially. Many of these increases in costs, especially those associated with insurance, passenger air charters and fuel, cannot be recouped by passing on the charges to clients through increased rates, often because increased costs are incurred after deposits and/or full payments for guests have been received by outfitters. When coupled with revenue decreases due to unfavourable U.S/Canada currency exchange rates, the need for operators to lower their operating costs is magnified dramatically. High operating costs and how best to lower them by achieving greater efficiencies in a relatively expensive and remote Territory represent a major issue presently facing all sport fishing outfitters.

From 2000 to 2005, the outfitter rate (price of a trip charged to a guest) median increase was 10%. During the same period, outfitters have seen their total expenses rise an average of just over 22%. While the increase in costs varies by expense category, this assessment's survey results show that the heaviest weighted expense categories have risen in price to a far greater degree then less burdensome expense types. For example, fuel, charters/passenger airfare and staff/guide expenses, (the top 3 expense categories), representing an average of 58.6% of an outfitter's total operating expenses, all rose a combined median of 20% per expense category during the six seasons assessed. To continue this example, the proportion of outfitters that experienced increases in these three expense categories were high at 87.5%, 77.3% and 56.5% respectively.

The proportion of outfitters who experienced increases in all expense categories was above 50% with the exception of marketing expenses and other expenses which showed frequencies of increase of 47.8% and 47.4% respectively. Both of these expense categories also showed well above average frequencies of "remained unchanged" selections by outfitters in the survey at 30.4% and 21.1% respectively. Both marketing and other expense categories were also the only expense categories which actually remained unchanged amongst large size outfitters. Increasingly favourable exchange rates for NWT sport fishing operators who advertise and attend trade shows in the U.S. may explain these price decrease trends related to the marketing expense category.

Of all expense types, insurance and fuel costs increased the most. Insurance rates median increase was 30% for all outfitters from 2000 to 2005 and rates rose by as much as 100% for over 15% of survey respondents. The median value for insurance rates increases for medium and large size outfitters was 52.5%, compared to a median value increase of 20% for small outfitters. Based on these survey responses and feedback from the outfitters collected through interviews, it is clear that commercial liability insurance rates have quickly become an expensive, "thorn in the side" for most involved in the industry. In addition to the outfitted sport fishing industry, many other outdoor recreation type industries have of late been saddled with tighter operating restrictions and increased insurance premiums as a result of a hard insurance market. "Recent developments in the insurance industry and the general downturn in the global economy have

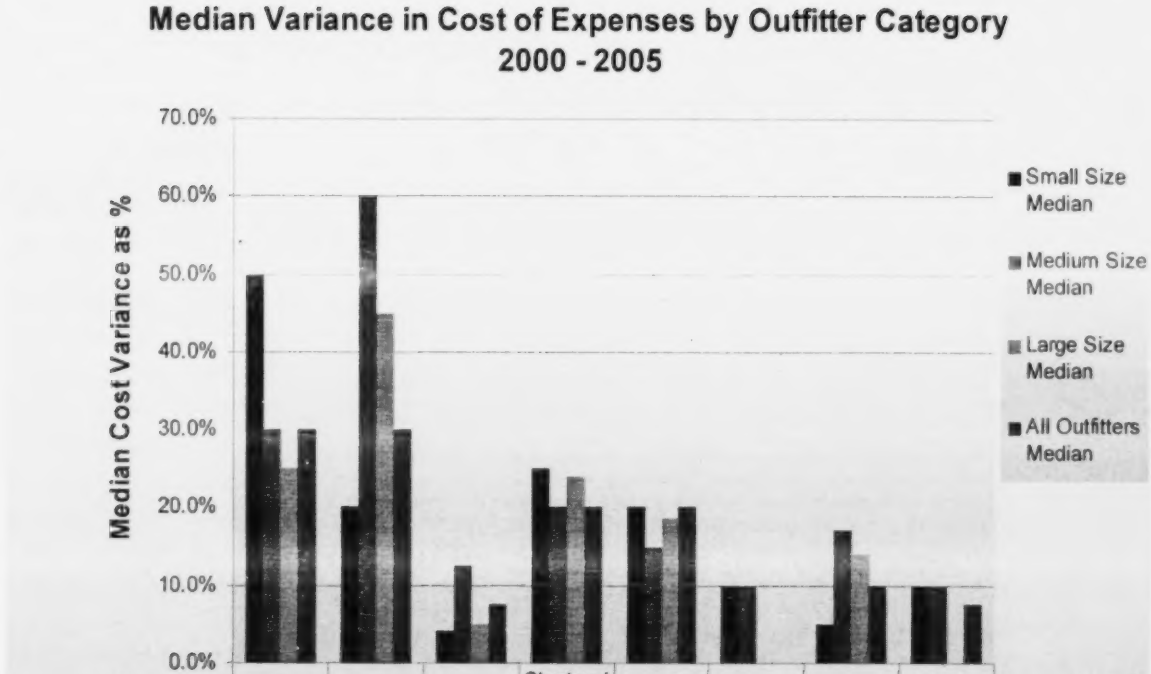
contributed to an "insurance crisis" in the outdoor tourism sector." (Insurance Issues and Alternatives in the Outdoor Tourism Sector in Canada, Canadian Tourism Commission, 2003)

% Change in Expenses Category Costs

Survey Question:

"When you compare your 2005 expenses with your 2000 expenses, by what percentage have your costs increased or decreased for each of the following expense categories?"

Table 37



	Fuel	Insurance	Food	Charters/ Passenger Airfare	Freight	Marketing	Staff/Guides	Other
Small Size Median	50.0%	20.0%	4.0%	25.0%	20.0%	10.0%	5.0%	10.0%
Medium Size Median	30.0%	60.0%	12.5%	20.0%	15.0%	10.0%	17.0%	10.0%
Large Size Median	25.0%	45.0%	5.0%	24.0%	18.5%	0.0%	14.0%	0.0%
All Outfitters Median	30.0%	30.0%	7.5%	20.0%	20.0%	0.0%	10.0%	7.5%

Due to their economies of scale, larger size outfitters have seen lower levels of increase in their expenses over the period assessed. Based on category weight and percent change in expense category costs, total expenses increased an average of 12.1% for large size outfitters between the years 2000 and 2005, compared with 19.9% for medium and 27% for small size outfitters. The approximate, overall, total cost increase average per outfitter is 22.3%. The approximate median cost category increase for all outfitters was 16%. There was no significant difference in expense category cost increases based on outfitter size category.

High air travel costs are not unique to NWT operators alone. Their impact is being felt similarly by all types of tourism operators located in remote, wilderness areas throughout Canada. The following statement gives an anecdotal indication of how high air transport rates are effecting the marketplace in the outfitted sport fishing industry on Canada's east coast. "And Air Canada. They share a big part of this. Americans can fly to Alaska with fewer milk hops and at a considerably lesser cost than flying to northern Canadian destinations. I can't begin to count the numbers I've lost because the Air Canada portion of their ticket was 4 or 5 times the cost of going to Alaska or other non-Canadian destinations." (Lorraine Cooper, Cooper's Minipi Camps, Labrador, June, 2006)

Frequency of Directional Changes in Expenses 2000 - 2005

Survey Question:

"When you compare your 2005 expenses with your 2000 expenses, have your costs increased or decreased for the following expense categories"?

Table 38

Fuel – Increased	Response Percent	Response Total
Increased	87.5%	21
Decreased	0%	0
Remained Unchanged	4.2%	1
Don't Know	8.3%	2

Table 39

Insurance – Increased	Response Percent	Response Total
Increased	87.5%	21

Decreased	0%	0
Remained Unchanged	4.2%	1
Don't Know	8.3%	2

Table 40

Food – Increased	Response Percent	Response Total
Increased	60.9%	14
Decreased	0%	0
Remained Unchanged	26.1%	6
Don't Know	13%	3

Table 41

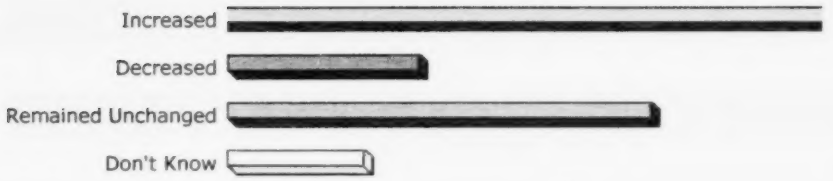
Charter Leases/Passenger Airfare – Increased	Response Percent	Response Total
Increased	77.3%	17
Decreased	0%	0
Remained Unchanged	4.5%	1
Don't Know	18.2%	4

Table 42

Transportation/Freight – Increased	Response Percent	Response Total
Increased	73.9%	17
Decreased	0%	0
Remained Unchanged	8.7%	2
Don't Know	17.4%	4

Table 43

Marketing - Increased	Response Percent	Response Total



Increased	47.8%	11
Decreased	13%	3
Remained Unchanged	30.4%	7
Don't Know	8.7%	2

Table 44

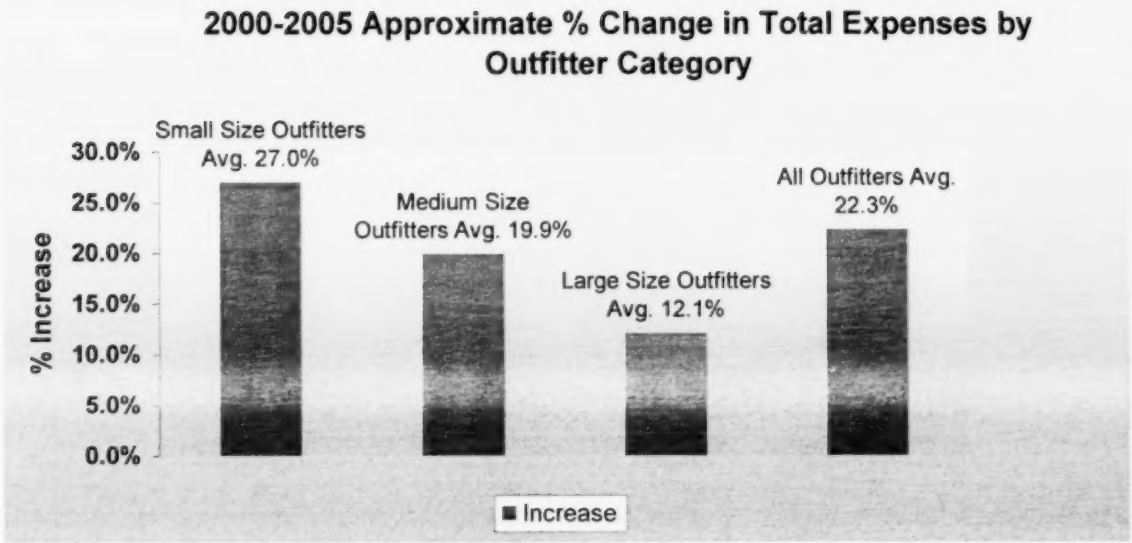
Staff/Guides – Increased	Response Percent	Response Total
Increased	56.5%	13
Decreased	8.7%	2
Remained Unchanged	21.7%	5
Don't Know	13%	3

Table 45

Other – Increased	Response Percent	Response Total
Increased	47.4%	9
Decreased	5.3%	1
Remained Unchanged	21.1%	4
Don't Know	26.3%	5

% Change in Total Expenses

Table 46



Profit Trends and Frequencies

Frequency of Directional Changes in Outfitter Profit 2000 - 2005

Survey Question:"At the end of the 2005 season, had your profit increased or decreased, compared with the 2000 season?"

Table 47

2000 - 2005 Profit – All Outfitters	Response Percent	Response Total
Increased	8.3%	2
Decreased	62.5%	15
Remained Unchanged	12.5%	3
Don't Know	16.7%	4

Table 48

2000 – 2005 Profit – Small Size Outfitters	Response Percent	Response Total
Increased	14.3%	2
Decreased	42.9%	6
Remained Unchanged	14.3%	2
Don't Know	28.6%	4

Table 49

2000 – 2005 Profit – Medium Size Outfitters	Response Percent	Response Total
Increased	0%	0
Decreased	100%	5
Remained Unchanged	0%	0
Don't Know	0%	0

Table 50

2000 – 2005 Profit – Large Size Outfitters	Response Percent	Response Total
Increased	0%	0
Decreased	80%	4
Remained Unchanged	20%	1
Don't Know	0%	0

The outfitted sport fishing industry operates in a highly competitive, cyclical, seasonal business environment which relies significantly on international clientele for its mainstay. In the Northwest Territories, the industry's participants also must face the high costs associated with operating in a remote, wilderness environment.

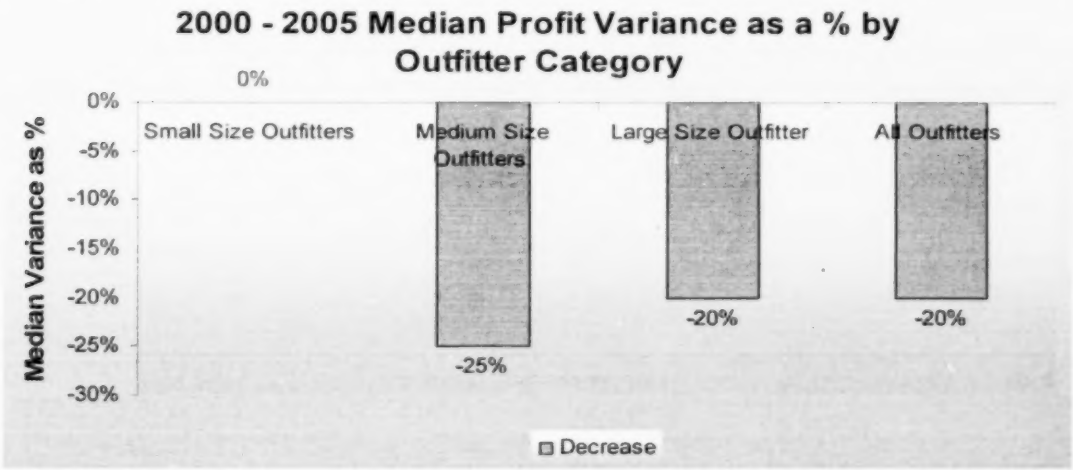
Since 2000, NWT sport fishing outfitter profits have decreased by a median value of -20%. Fewer guests, lower revenues, increased costs and unfavourable U.S.$/Canadian$ currency valuations (since 2003), are all factors that have combined to significantly erode outfitter's profits. Based on survey results, 9 out of 10 medium and large size outfitters experienced decreased profits in 2005 when compared to 2000, by a median value of -22.5%. Further and

conclusive evidence that there exists a serious profitability dilemma within the industry is the fact that only 2 of 24 survey respondents, (8.3%), saw an increase in their 2005 profit over their 2000 season profit.

Two out of three outfitter categories posted decreases in their 2005 profit over 2000. The most significant declines were felt by medium size outfitters with a median decrease of -25%, followed by large size outfitters at a median decline of -20%. Small outfitters experienced a 0% median variance in profit between the 2000 and 2005 seasons. In fact 29% of small size respondents indicated no changes in profit during this time period.

Median Profit Variance as a %

Table 51



The most obvious explanation for such an industry-wide reduction in profitability is substantial increases in operating costs that are not easily transferable to clients; the primary expense culprits being higher fuel, air charter and insurance rates. High air travel costs have not gone unnoticed amongst potential visitors to Canada. In fact, one of the top five barriers for non-previous, U.S. visitors coming to Canada is the cost of air transportation. (Canadian Tourism Commission, Changing U.S. Travel Trends to Canada Executive Summary of the U.S. Task

Force Research Conducted by DK Shifflet & Associates on behalf of the Canadian Tourism Commission)

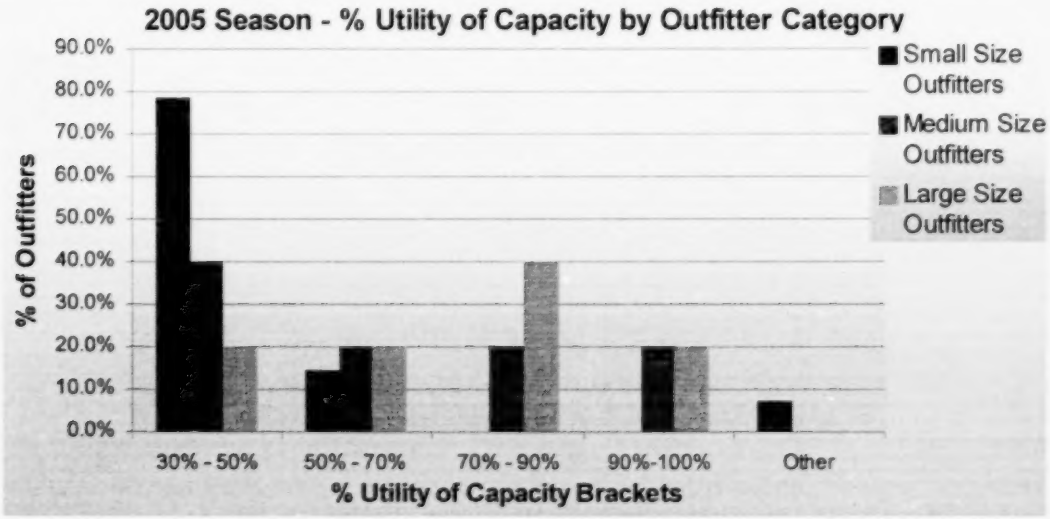
At present, information available from which to reference industry profitability standards and return on investment expectations for outfitters is slim. "The only reliable information is for the Queen Charlotte Island (QCI) lodge industry, where it appears the appropriate financial targets are 15% earnings before interest, taxes, depreciation, and amortization (EBITDA). This translates into a 5% profit before taxes but after interest and depreciation. The remote lodges need a relatively high (90%) occupancy level, due to the high share of fixed costs such as air charter, in their cost structure." (GSGislason & Associates Ltd., BC Seafood and Recreational Fishing SWOT, 2004)

Capacity Utility

Survey Question:

"During the entire 2005 season, at what percentage of capacity did you operate? For example, if you can accommodate up to 100 guests in total over the season, and you had 70, the percentage of capacity is 70%."

Table 52



Of the three outfitter category sizes, large size outfitters are operating closest to their capacity, with 60% of this category's outfitters operating at 70% of capacity or better in 2005. There appears to be a greater disparity amongst medium size outfitters. In 2005, 40% of this category operated at 50% capacity or less, while another 40% of medium sized outfitters fared far better, operating at 70% capacity or better. Small size outfitters were not operating at anywhere near to their maximum occupancy limits. All categories possess substantial room for growth in client numbers in the future.

Outfitter's Expectations – Future Market Performance

Survey Question:

"Over the next five seasons, do you see the percentage of guests to your operation from the following regions, increasing, decreasing or remaining unchanged?"

Table 53

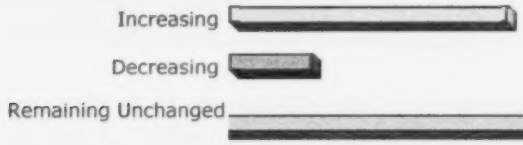
United States - Increasing	Response Percent	Response Total
Increasing	54.2%	13
Decreasing	0%	0
Remaining Unchanged	45.8%	11

Table 54

Canada (excluding the NWT) - Increasing	Response Percent	Response Total
Increasing	52.2%	12
Decreasing	4.3%	1
Remaining Unchanged	43.5%	10

Table 55

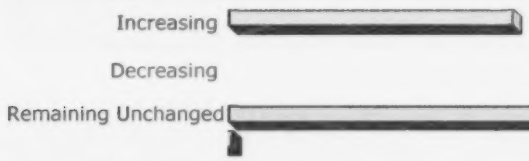
Northwest Territories - Increasing



	Response Percent	Response Total
Increasing	30%	6
Decreasing	5%	1
Remaining Unchanged	65%	13

Table 56

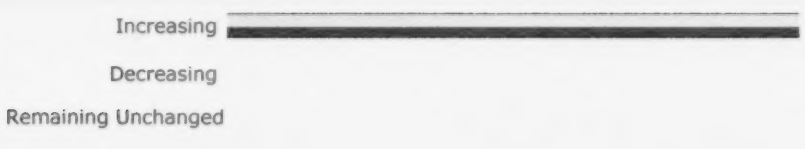
Asia - Increasing



	Response Percent	Response Total
Increasing	31.8%	7
Decreasing	0%	0
Remaining Unchanged	68.2%	15

Table 57

Europe - Increasing



	Response Percent	Response Total
Increasing	47.8%	11
Decreasing	0%	0
Remaining Unchanged	52.2%	12

Expectations for market growth over the next five seasons rests firmly with the United States and Canadian markets (not including the NWT), with the European market coming a close third, according to outfitter survey respondents. Over 50% of all outfitters foresee increases in their U.S. and Canadian client bases during this time. Based on the above survey results, it appears that many in the industry have considerable enthusiasm for European countries as potentially viable markets destined for future growth. In addition, it appears that the industry is least enthusiastic about its forecast regarding future guest numbers from the Northwest Territories. Despite almost 32% of this survey question's respondents suggesting an increase in the

percentage of their clientele from Asia over the next five seasons, a sizeable majority of outfitters anticipate no change at all in this market.

The forecasts outlined above are encouraging and demonstrate an extremely cautious yet optimistic outlook amongst many NWT sport fishing outfitters. The least optimistic outlook is held by medium size outfitters, amongst whom, only one outfitter forecasts an increase in their client base percentage of American guests and only one outfitter forecasts an increase in their percentage of Canadian guests. Medium size outfitters do not anticipate any growth in their NWT or Asian markets. Of large size outfitters, 80% are anticipating an increase in their client base percentage of American guests and 60% believe that their client base percentage of Canadian and European clients will also grow. Based on the above responses, small and large size outfitters appear to be the most encouraged in their customer base growth forecasts over the coming five seasons.

Recommendations

Despite recent market fluctuations, there exists considerable opportunity for long term growth in the Territory's outfitted sport fishing industry. The greatest potential for growth lies with medium and large size outfitters, primarily with existing, high end outfitters within these categories. The present success of high-end, Queen Charlotte Island lodges are an example of what the NWT industry may strive for in terms of the quality of their product and service offerings, and the success and reach of their marketing and promotions efforts.

The following suggested courses of action are designed to provide NWT Tourism and the GNWT Department of Industry, Tourism and Investment with options aimed at rejuvenating the Territory's outfitted sport fishing industry. The goal of these recommendations is to achieve cost savings relief for outfitters in the short term and increased revenues in the near future, continuing through mid to long term. The end result of these recommended actions is to raise the profile of the industry within the Territory's tourism economy and improve the business-health of the NWT's sport fishing outfitters.

1. **Dedicate additional monies to the NWT Tourism marketing budget, allocated in support of the renewal of the outfitted sport fishing industry, in response to its economic decline.** The NWT outfitted sport fishing industry is in need of substantial, short term, outside marketing assistance to overcome recent tough times and boost revenues in the near future. This "renewal response" marketing funding is required to communicate with the marketplace that the NWT continues to be "open for business" to package anglers and continues to offer world class outfitted sport fishing opportunities. The marketing campaign(s) made possible through additional funding will provide added measures to assist the industry and push it through into recovery territory. Healthy, robust seasons are urgently needed by many of the outfitters.

   An important precedent, which showcases the benefits of this recommendation's approach, can be found by reviewing the GNWT's response to a recent downturn in the NWT Aurora Viewing tourism segment. In this case, the GNWT and the federal

government directed additional funding towards NWT Tourism's marketing initiatives related to this segment. The effect of this support was to pull many Aurora Viewing operators into economic recovery and onto more solid footing as the result of increased demand for their services and product. The NWT outfitted sport fishing industry is currently facing a similar scenario and is in need of a similar life-line.

2. **Research and enable the development or adoption of a group insurance program for the outfitted sport fishing operator members of NWT Tourism (possibly to include a broader range of NWT based operator types).** Between 2000 and 2005, of all expense types, insurance and fuel costs have increased the most for outfitters. This period has been a difficult time for outdoor adventure tourism companies in Canada in general, as a hard insurance market has driven up rates dramatically, while at the same time reducing insurance availability and coverage. While there are certain risks and obstacles associated with group insurance programs, the primary advantages and benefits to outfitters of a NWT Tourism group insurance program would be less expensive rates, more extensive coverage and higher limits. In addition, those subscribing to group insurance plans are generally less susceptible to insurance market cycles. (Amini and Parsons, n.d.)

   According to the Canadian Tourism Commission, "associations representing guides and outfitters as well as fishing and hunting resorts have been more successful than other groups in the outdoor tourism sector in developing group insurance programs for their members. This is largely due to the fact that these associations have existed for a long period of time, they are more homogenous, and they are not perceived being as risky by the insurance industry." (Insurance Issues and Alternatives in the Outdoor Tourism Sector in Canada, Canadian Tourism Commission, 2003)

   Many provincial outfitter associations offer their members preferred pricing through a group insurance program. It is recommended that NWT Tourism research their capacity of and the benefits of, providing a group insurance program to their outfitter members. Options for consideration by NWT Tourism include adopting and possibly endorsing an

existing group insurance program, such as the Council of Tourism Associations (COTA's) of B.C.'s program, which is in partnership with the insurance broker Adventure Insurance Agency (www.adventuretourism.ca). Alternatively, NWT Tourism may support or endorse a broker who would create a group insurance program specific to NWT Tourism outfitted sport fishing members. These and other options should be evaluated by NWT Tourism for best results.

In the survey for this assessment, when asked "in the future, would you switch from your current insurance broker if you could purchase group liability insurance for your fishing operation at a discount?", 92% of outfitters indicated "yes" they would. Additionally, during phone interviews, when asked if they would support a group insurance initiative, almost all of the outfitters were enthusiastic in their support for this concept.

3. **Research, develop and implement an energy subsidy program directed at the NWT outfitted sport fishing industry.** In the Operations and Performance – Expenses Analysis section of this report, the dramatic rise in outfitter's fuel costs between the years 2000 and 2005 and its considerable impact on their profit margins was discussed. Referencing this same section, the median increase in fuel costs during this time period was 30%/outfitter and as much as a 50% median increase for small size outfitters. During a phone interview for this assessment, one outfitter explained how his costs for gasoline, once flown into his lodge to run his generators and guide boats, was over $5/litre during the 2006 season. The high cost of fuel also raises the cost of air charters for the outfitters, and is having a severely negative impact on the industry's ability to generate a profit. Many sport fishing outfitters interviewed for this assessment expressed their desire to see the GNWT provide financial relief to the industry in the form of a fuel tax subsidy similar to what is presently available to farmers in southern provinces. Some outfitters argued that the subsidy would be justified as a portion of Territorial fuel tax is considered a "road tax" and therefore should not apply to sport fishing outfitters, as the fuel that they purchase is used to power the engines in their guide boats and generate the electricity needed for their lodge.

As of May 1st, 2005, the Northwest Territories gasoline tax is based on a 17% *ad valorem* rate and the tax on diesel is 85% of the gasoline tax. Per litre, this Territorial tax equates to 10.7 cents and 9.1 cents respectively. (Source: Oil Division, Petroleum Resources Branch, Natural Resources Canada) (Parliamentary Information and Research Service Library of Parliament, Marc-Andre Pigeon, 2005) By subsidizing this tax on fuel purchased by outfitters for their sport fishing business operations, outfitters would save an additional 6% (G.S.T.), on these per litre taxes. In total, the recommended subsidy would save outfitters a total of 11.34 cents/litre on gasoline and 9.65 cents/litre on diesel fuel purchases made in communities that are served by a highway system. In communities not served by a highway system in the NWT, the gasoline tax is 6.4 cents/litre. Based on today's (July 23, 2006) retail rate for 1 litre of regular gasoline of $1.184 at the Shell Gas station in Yellowknife, the recommended subsidy would ease gasoline costs for outfitters by 9.6%.

This recommendation should be applied to other lodge based operators of the outdoor tourism market, if its adoption would in any way be prevented due to concerns of favouritism towards the outfitted sport fishing industry.

4. **Research, develop and implement an alternative energy use incentive program directed at the NWT outfitted sport fishing industry.**

This recommendation presents the GNWT with an opportunity to further its proposed strategic action to "lead pilot projects to develop alternative energy solutions that provide long-term economic benefits and reduce emissions" in the NWT. (Energy for the Future - Energy Planning for the Northwest Territories, Dept. ITI GNWT, 2006) Many outfitted sport fishing operators would be willing participants of a government program(s) which would enable them to decrease their fuel consumption used to generate electricity at their remote lodge sites. During interviews for this assessment, several operators suggested that this could be accomplished through the development and harnessing of alternative energy sources such as wind, solar and small scale (micro) hydro systems. These same outfitters believe that the GNWT should develop and support an initiative to compensate outfitters who convert their fuel powered generation systems to environmentally friendly,

alternative sources by providing incentives or rebates to them. Their suggestions were in response to the interview question; "how could the GNWT best assist them in reducing the high cost of doing business as a fishing lodge in the Northwest Territories". In addition to the cost savings to outfitters through the reduction in their gasoline and diesel consumption, a successful, government sponsored incentive program would generate favourable publicity and exposure in the media for the participating lodges and the industry as a whole. A program as such would have broad, newsworthy appeal.

According to Dr. David Malcolm, PhD, PEng, CMC, the Executive Director of the Arctic Energy Alliance (AEA), in Yellowknife, who was contacted regarding this recommendation; the AEA is in position to assist the outfitters with help and technological advice related to the design and installation of alternative energy systems, including the application of RETScreen modeling analysis software, provided by Natural Resources Canada, to test economic viability.

Again, this recommendation should be applied to other lodge based operators of the outdoor tourism market, if its adoption would in any way be prevented due to concerns of favouritism towards the outfitted sport fishing industry.

5. **Become aware of and support, industry and government initiatives, where possible, aimed at attracting new and re-attracting inactive anglers, to the sport of recreational fishing in Canada and the United States.** Increasing North American's participation rate in recreational angling is desirable and important for the long term success of the outfitted sport fishing industry in the NWT. Facing all sectors of the industry in Canada are specific, undeniable demographic hurdles, which, unless countered pro-actively by recruiting and attraction and re-attraction campaigns, will naturally continue to diminish the popularity of sport fishing amongst the North American population. Evolving demographic trends, which pose a threat to the number of active anglers in the country, are, an aging population, urbanization (people moving to large cities further away from angling opportunities) and immigration (many new immigrants move from countries where sport fishing opportunities do not exist and

therefore arrive in Canada as non-anglers). (Sport Fisheries Literature Review and Research Gap Analysis Report, Williams; Dossa; von Gaza; Simon Fraser University, 2006) The GNWT should recognize the importance of playing a supportive role within existing and developing, sport fishing attraction programs and initiatives and initiate a plan to participate as effectively as possible.

"National Fishing Week in Canada", sponsored by the Canadian Sport Fishing Industry Association, the "Water Works Wonders" campaign in the U.S., sponsored by the Recreational Boating and Fishing Foundation, and the American Sportfishing Association's Future Fisherman Foundation are examples of sport fishing stimulation initiatives. New anglers in other North American regions are potential future clients to NWT fishing lodges and guide services. The NWT industry and its supporters have a vested interest in the success of attraction campaigns and programs in other regions especially those in Manitoba, Alberta, Ontario and the northern Midwest states, specifically Minnesota and Wisconsin. Combined, Minnesota and Wisconsin make up 41% of the NWT's US package anglers and Manitobans, Albertans and Ontarians make up 83% of the Territory's Canadian package anglers. (Report on the Fishing Segment of Visitors to the Northwest Territories, 2002 Visitor Exit Survey, Department of Industry, Tourism and Investment, 2002)

6. **Conduct or commission a competitive analysis of NWT outfitted sports fishing products relative to successful products in other jurisdictions. This study would compare NWT outfitted sport fishing products to products available in other, successful and healthy (to be determined by a literature review and interviews with other, regional, outfitted sport fishing and/or tourism association representatives), provincial or territorial outfitted sport fishing industries. This study would evaluate and document any existing gap or contrast in the quality of offerings between the two regional sectors, present findings and make recommendations based on these findings to improve the quality of service and product, and subsequently the status, image and marketability of the NWT outfitted sport fishing industry.**

It is recommended that this research project, or a supporting, simultaneous research project, undertake to evaluate and compare the marketing strategies and marketing initiatives of the same regional industries (including the NWT's), including comparing the respective target markets. In addition, this same study should include a comparison of the marketing support programs of the assessed region's (including the NWT's) government tourism association(s) or group(s).

The primary goal of this recommended study is to pin point any dichotomy in the marketplace between what is in demand, in terms of quality level and type of outfitted sport fishing product and service offerings (an evaluation of the offerings of a successful, leading, regional sector will indicate this), and what is available from sport fishing outfitters in the NWT. The information and conclusions gathered from this study should be communicated in detail with the NWT industry's participants and strategy should be developed within the framework provided by the recommended Sport Fishing Industry Marketing team, to breach this gap between the demand from the marketplace and the supply offered in the NWT.

After weighing this assessment report's findings as to the performance results of the NWT outfitted sport fishing industry over the past five years, there should be a consensus that there is room for improvement in aspects of the NWT sector. A comparison of the NWT industry with a relatively high-end, competitive, regional industry such as the Queen Charlotte Islands outfitted sport fishing industry, would uncover opportunities for positive change and enhancement of current NWT outfitter's offerings. If the recommendations of the suggested study are sound and are embraced and implemented, this process will add a polish to the NWT industry's offerings and to its competitiveness as a whole.

Northwest Territories sport fishing outfitters are a resilient, hard working, independent group of adventurous entrepreneurs. This spirit is evidenced in their operations and the inspiring and creative way that they have made businesses work in Canada's northern wilderness despite many obstacles. We believe that the preceding recommendations will assist the industry, NWT

Tourism and the GNWT in making tremendous strides forward together, towards strengthening and growing this valued and traditional industry.